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Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

CHINA

This report, prepared for the eighth Trade Policy Review of China, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from China on its trade policies and practices.

Any technical questions arising from this report may be addressed to Masahiro Hayafuji (tel. 022 739 5873), Arne Klau (tel. 022 739 5706), Katie Waters (tel. 022 739 5067), Michael Kolie (tel. 022 739 5931), and Verena Hess-Bays (tel. 022 739 5489).

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Note: This report covers developments up until mid-April 2021, in accordance with the work programme initially agreed with China. This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on China. This report was drafted in English.

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SUMMARY

1. Since China's previous Trade Policy Review in 2018, the country's economy has been a major driver of global growth. Real GDP growth rates fell from just under 7.0% in 2016-18 to 6.0% in 2019 and 2.3% in 2020. Growth is projected to reach 6.0% again in 2021, as economic activities are expected to normalize. China's GDP per capita was USD 11,710 in 2020, up from USD 9,976 in 2018. The long-term structural changes in China's economy, away from agriculture and industry towards services, continued during the review period. Services now make up some 55% of GDP. Remarkable progress on poverty alleviation has been achieved over the past decades, resulting from high GDP growth rates and market-oriented reforms.

2. The outbreak of the COVID-19 pandemic in early 2020 had a major impact on output and employment. At the beginning of 2020, China's economy contracted by 6.8%. Virtually all sectors were severely hit by the pandemic, with the notable exceptions of financial services and information technology. Starting in mid-2020, the economy began to recover, mainly driven by public investment and international trade. Swift fiscal and monetary policy reactions helped mitigate the economic impact of the COVID-19 pandemic, but as a result of the Government's stabilizing measures, financial stability risks may have increased.

3. Price stability remains the main goal of monetary policy. Inflation rates remained low during the review period, fluctuating between -0.5% and 3.8%. China has a managed floating exchange rate regime. The exchange rate of the Chinese yuan (CNY) is determined with reference to a basket of currencies with a publicly known composition; the CNY's central parity is determined daily as a "fix". Officially reported foreign exchange reserves held steady during the review period, at around USD 3.1 trillion. Regulations on capital movements remain in place on inflows and outflows. China's bilateral lending to the rest of the world, notably to African countries, has increased over the past years. The CNY is fully convertible for current account transactions and partially convertible for some capital account transactions. China continued its efforts to further internationalize the CNY. As at mid-2020, about 2% of global payments were conducted through the CNY.

4. China's current account surplus contracted between 2016 and 2018, but grew again in 2019, to USD 102.9 billion. Available information for 2020 indicates a widening of the surplus, to USD 273.9 billion (1.9% of GDP), while for 2021, the authorities predict a narrowing of the current account surplus. The financial account (excluding reserve assets) posted a strong deficit in 2015, a surplus between 2016 and 2019, and a deficit in 2020. Direct investment was in surplus in all recent years except for 2016. The portfolio investment account was in deficit until 2016 and has posted a surplus since 2017. China's merchandise trade surplus declined between 2016 and 2018, which was a major driver of its narrowing current account surplus. In 2019 and 2020, the trade surplus grew again. China's balance of trade in services has traditionally posted a deficit, which grew between 2015 and 2018, but fell in 2019 and 2020.

5. China's merchandise exports increased every year during the review period, to attain a peak of nearly USD 2.6 trillion in 2020. Exports fell in the first half of 2020 due to the COVID-19 pandemic, but grew strongly afterwards due to China being the first manufacturing power to resume operations after the first wave of global shutdowns, and its role as leading supplier of protective health equipment and electronics related to working from home. At over 44%, machinery and electrical equipment continue to represent a very large and rising share in China's merchandise exports. The United States and the European Union remain China's main destinations for merchandise exports. Asia remains the most important region for China's merchandise exports, with a share of over 44% in 2020. Within Asia, Japan and the Republic of Korea are the most important trading partners. Africa and the Middle East received between 4% and 5% of China's exports, while the share for Latin America fluctuated around 6%.

6. China's merchandise imports increased sharply between 2016 and 2018, but fell in 2019 and 2020. At about 35%, machinery and electrical equipment make up an important and stable share of China's imports, followed by mineral products (some 25%). The European Union remains the most important supplier of goods, while the share of the United States in China's imports fell, from nearly 9% in 2015 to 6.6% in 2020. The share of imports originating in Asia fluctuated at around 47% between 2016 and 2019, but increased to over 49% in 2020. Africa, Australia, and the Middle East account for about 4%, 5%, and 7% of China's merchandise imports, respectively.

7. China's services exports grew from USD 217 billion in 2015 to USD 244 billion in 2019, but fell to USD 235 billion in 2020. They are mostly composed of various business services, transportation, and travel. Services imports grew from USD 436 billion in 2015 to USD 506 billion in 2019, but fell to USD 380 billion in 2020. Travel is traditionally by far the most important individual category.

8. Annual foreign direct investment (FDI) inflows into China continued to grow between 2016 and 2019, although at a much slower pace than in previous periods. Outward FDI, after lagging behind for many years, overtook inward FDI in 2015. It peaked in 2016 and has fallen sharply every year since. Manufacturing remains by far the largest sector of FDI inflows into China. The most important sectors for China's FDI abroad are leasing and business services, and manufacturing. Investment under the Belt and Road Initiative accounts for some 13% of China's recent outward FDI; it is mostly concentrated in Central and South East Asia, with a focus on infrastructure projects.

9. During the review period, China continued to aim at expanding international trade and investments, as outlined in Five-Year Plans and various Administrative Measures. Efforts to address climate change issues were also noticeable within China's trade policy framework. The main ongoing actions in this regard included industrial restructuring, energy structure optimization, energy conservation and efficiency, and the establishment of a carbon emissions trading market.

10. In pursuit of its trade policy objectives, China accords a leading role to the multilateral trading system and regional trade agreements (RTAs) in which it participates. China is an active Member of the WTO; it is an observer to the Committee on Government Procurement, and has been negotiating its accession to the Plurilateral Agreement on Government Procurement since 2007. China is also an observer to the Plurilateral Agreement on Trade in Civil Aircraft, and a participant in the Information Technology Agreement. It also participates in Joint Statement Initiatives on e-Commerce; investment facilitation for development; micro, small, and medium-sized enterprises; and domestic regulation in services. Between 2018 and mid-April 2021, China was involved in 10 trade disputes as a complainant and 11 as a respondent. During the review period, China signed new RTAs with Mauritius, Cambodia, and 14 other countries within the framework of the Regional Comprehensive Economic Partnership (RCEP) Agreement. By the end of February 2021, China had signed 19 RTAs with 26 countries and territories. China submitted various notifications to the WTO during the review period. Nevertheless, some notifications, including those on state trading enterprises and domestic support, remain outstanding.

11. A new Foreign Investment Law was adopted, with the aim of, *inter alia*, improving China's business environment for foreign investors and ensuring that they participate in market competition on an equal basis. The legislation stipulates that investors are protected against expropriation, restrictions on cross-border remittances, IPR infringement, and forced transfer of technology.

12. Various negative lists and the Catalogue of Encouraged Industries for Foreign Investment, which are revised periodically, remain the main instruments used to guide FDI in China. The 2020 version of the Special Administrative Measures on Access to Foreign Investment (National Negative List) further reduced the number of restrictive measures from 63 in 2017 to 33 in 2020. FDI in the Pilot Free Trade Zones (PFTZs) is guided by another negative list (PFTZ Negative List). In 2020, three PFTZs were established, bringing the total to 21. FDI is not allowed in prohibited industries that are included in either the PFTZ Negative List or the National Negative List; for those in a restricted industry, investors must comply with the required administrative measures. Projects in the encouraged category are eligible for preferential treatment. In 2018, China issued the Market Access Negative List, which lists industries that are prohibited or subject to licensing for investment and operation within China by market participants of any kind, including state-owned, private, domestic, or foreign-invested enterprises. Certain FDI projects may be subject to national security reviews if they are deemed to have an influence on national security. Examination and approval are required for foreign-invested projects involving fixed asset investment and projects involving "serious" overcapacity.

13. Various tax incentives are available to foreign-invested enterprises (FIEs) to promote sectors deemed beneficial to the development of China's economy. Furthermore, several relief measures were recently taken or announced for foreign investors, as a response to the COVID-19 pandemic.

14. China has taken various trade-facilitating measures with respect to import registration, documentation, and inspection requirements, as well as in response to the COVID-19 pandemic. Its national single window for international trade was extended and, reportedly, the overall customs clearance time for imports nationwide was reduced.

15. China's simple average applied most-favoured nation (MFN) rate decreased from 9.3% in 2017 to 7.1% in 2021, with tariff-rate reductions in nearly all product categories. The percentage of tariff lines bearing rates higher than 15% (international tariff peaks) was 4.5% in 2021, significantly lower than the 13.9% in 2017. Applied MFN tariffs ranged from 0%-65%; the highest tariffs of 65% apply to 20 agricultural tariff lines. China applies lower tariffs under its preferential trade agreements (PTAs) and RTAs. The share of duty-free tariff lines in China's RTAs ranges between 0.04% (RTAs with Hong Kong, China and Macao, China) and 6.6% (Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei)). Duty-free lines accounted for 12.6% of all lines. China also grants preferential tariff treatment to imports from least developed countries (LDCs) that have established diplomatic relations with China and completed the exchange of diplomatic notes. By February 2021, China had implemented zero tariffs on 97% of tariff lines for these 41 LDCs.

16. Other charges affecting imports are the value added tax (VAT), the consumption tax, the Automobile Purchase Tax, and (until recently) port construction fees. During the review period, some VAT rates were reduced. Port construction fees levied on imported and exported goods were permanently abolished in January 2021.

17. Some changes were made in the import regime on prohibition and licensing. Since 1 January 2021, imports of all solid waste products have been prohibited, and the previous regime for allowing imports of certain wastes under licensing conditions has been terminated. Certain recycling materials for brass, iron-steel materials, copper, and cast aluminium alloys may be imported if they meet the required standards. Automatic import licensing requirements, in place for monitoring purposes have been removed on certain items and non-automatic import licensing requirements were removed for some used mechanical and electrical products.

18. Changes in legislation concerning anti-dumping measures during the review period included the adoption of the Ministry of Commerce's (MOFCOM) Rules on Interim Review of Dumping and Dumping Margins (Interim Review Rules) in April 2018 and the entering into force of the Rules on Questionnaires in Anti-Dumping Investigations and the Rules for Hearing of Anti-Dumping and Anti-Subsidy Investigations in May 2018. Other than these, the laws and regulations governing anti-dumping, countervailing, and safeguard measures in China remained largely unchanged during the review period. Between January 2018 and December 2020, China initiated 34 anti-dumping investigations and 8 countervailing investigations; it did not initiate any new safeguard investigations. As at end-December 2020, China was enforcing 113 anti-dumping definitive measures affecting imports from 16 countries or territories and 6 countervailing measures. Chemical products continue to account for most anti-dumping measures in force at end-December 2020, followed by products made of resin, plastic, and rubber.

19. Regarding the export regime, in the wake of the COVID-19 pandemic, the authorities took steps to further streamline customs procedures, including inspections and quarantine, and reduce port charges for exporters of medical devices. To ensure the quality of exported medical devices, reinforced quality control measures were also put in place for enterprises involved in the export of COVID-19-related test kits and other medical devices.

20. China charges export taxes on certain products. As at January 2021, 102 tariff lines (at the 8-digit level) were subject to statutory export duties, while 75 tariff lines carried interim duties. Prohibitions and restrictions are also in place on a variety of export items. Restricted exports may be subject to quotas or licences. During the review period, 23 new items were added to the list of technologies subject to export restrictions, while 4 items that were subject to export prohibition and 5 items that were subject to export restriction were removed.

21. During the review period, a new Export Control Law was adopted; it provides for the establishment of a single framework for restricting exports of controlled items, i.e. dual-use items (with both civilian and military applications); military products; nuclear products; and goods, technologies, and services that are related to the maintenance of national security and interests and the implementation of international obligations such as nuclear non-proliferation.

22. The authorities indicate that China did not maintain or introduce any export subsidies on agricultural products during the review period. All exporters are generally entitled to VAT rebates. To promote exports, the Trade Development Bureau of MOFCOM organizes exhibitions in emerging markets and provides export-oriented training activities. It also maintains the websites of China Trade Promotion and provides, through various service platforms, background information about foreign markets.

23. China continued to provide incentives and financial support to different sectors and industries during the review period. In June 2019, China notified its support programmes for the period 2017-18. The notification contains information on 79 central-level and 420 subcentral-level programmes, many of which, however, had expired by the time of the notification. No information was provided by the authorities on how many of the programmes were still active as at April 2021. The notifications submitted to the WTO and the replies provided by China to questions asked by other Members did not enable the Secretariat to have a clear overall picture of China's support programmes. In particular, the notifications do not contain information on expenditure levels in certain critical sectors, such as aluminium, electric vehicles, glass, shipbuilding, semiconductors, or steel. Information on subsidies going beyond the 2019 notification was not made available to the Secretariat. In addition to the notified programmes, numerous other initiatives are reported to be in place to support different industries and attract foreign investment. So-called "government guidance funds" use public resources to make equity investments in industries that the Government considers important, while numerous policy-related funds finance direct investments to support a particular policy initiative. Many of these funds seem to be endowed with sums over CNY 100 billion. According to the authorities, the incentives provided by these funds do not constitute subsidies and are not required to be notified under the Agreement on Subsidies and Countervailing Measures (SCM Agreement).

24. Since its previous Review, China introduced or revised various laws and regulations related to standards and other technical requirements. On 1 January 2018, the revised Standardization Law entered into force and included new provisions such as those on association standards. According to the authorities, at end-2020, among the national standards that correspond to the relevant international standards, 92.4% of mandatory standards (technical regulations) and 91.4% of voluntary standards were adoptions or adaptations of international standards, compared with 74.3% and 85.9% at end-2017. Between January 2018 and mid-April 2021, China submitted 344 technical barriers to trade (TBT) notifications. During this period, in the TBT Committee, 25 specific trade concerns were raised by Members regarding TBT measures maintained or planned by China.

25. During the review period, there was a substantial reorganization of the agencies responsible for sanitary and phytosanitary (SPS)-related issues. The main change to the legal framework for SPS-related issues was the entry into force of the Implementing Regulations of the 2015 Food Safety Law 2019. During the review period, 13 specific trade concerns were raised in the SPS Committee on SPS measures maintained by China, of which 8 were raised for the first time. Between 1 January 2018 and mid-April 2021, China submitted 165 notifications to the SPS Committee.

26. In 2018, the State Administration for Market Regulation (SAMR) was established as the national administrative body for regulating market-related issues, including competition. The previous functions and personnel of the National Development and Reform Commission (NDRC), the State Administration for Industry and Commerce (SAIC), and MOFCOM in their respective fields of competition policy merged into the SAMR. A new Anti-Monopoly Bureau and a new Price Supervision and Anti-Unfair Competition Bureau were established as the competition agencies within the SAMR. The State Council also established an Anti-Monopoly Committee to organize, coordinate, and guide the anti-monopoly work across the country. In 2019, the Anti-Unfair Competition Law was revised to strengthen the protection of trade secrets. There were no changes to the legislation concerning price controls during the review period.

27. China's state trading enterprises have the exclusive right to import or export the following products: wheat, maize, sugar, tobacco, rice, cotton, crude and processed oil, refined coal, chemical fertilizers, tungsten and tungstate products, antimony, and silver. State ownership remains very important in China's economy, even in non-strategic, commercially oriented sectors, with state-owned enterprises (SOEs) still having large market shares. No privatization took place during the review period; reform of SOEs proceeded almost exclusively in the context of mixed ownership reform.

28. There have been no major changes to China's legislative and regulatory regime concerning government procurement since the previous Review, while modifications to relevant laws are currently under consideration. The total value of government procurement in China was CNY 3.3 trillion in 2019 (the latest year for which data were made available), accounting for 3.3% of GDP; important infrastructure projects implemented by SOEs are not covered by the Government Procurement Law. The majority of procurement takes place at the sub-Central Government level.

29. During 2018 and 2019, China undertook wide-ranging reforms that included its intellectual property (IP) regime; the infrastructure of IP courts; and amendments to the Trademark Law, the Patent Law, and the Anti-Unfair Competition Law, which govern trade secrets. As part of these reforms, in 2018, the State Intellectual Property Office became the China National Intellectual Property Administration under the SAMR. The IP enforcement regime continued to evolve in response to the challenges posed by the shift from brick-and-mortar stores to virtual marketplaces and the implementation of international agreements. For example, copyright surveillance of large-scale video, music, and literature websites, as well as online storage service providers, was strengthened.

30. While the overall value of production of agriculture and animal husbandry increased steadily over the review period, China continues to be a net importer of agricultural products. China is pursuing a rural revitalization strategy. Rural reform initiatives have included amending the Law on the Contracting of Rural Land to legally upgrade the institutional arrangements on the land management right on rural contracted land, and steps have been taken to extend a similar approach to rural homesteads. As part of the Government's restructuring in 2018, the Ministry of Agriculture (MOA) was renamed the Ministry of Agriculture and Rural Affairs (MARA), and its responsibilities were expanded, a National Food and Strategic Reserves Administration was created, and the State Administration of Grain was dissolved. In 2021, the average MFN applied tariff on agricultural products was 12.7% (14.8% in 2017). China continues to make use of tariff-rate quotas on wheat, corn, rice, sugar, wool, wool tops, and cotton, which are administered through import licences; fill rates have fluctuated and were under 50% for wheat, rice, and wool tops in 2019. Little up-to-date information was available on current government support to the agriculture sector, given that China's most recent domestic support notification to the WTO covers the period up to 2016, and its SCM notification to 2018. China continues to implement a minimum purchase price policy for rice and wheat, with certain price reductions reported in recent years. Likewise, China continues to maintain reserves of maize, rice, soya beans, and wheat, as well as a subsidized agricultural insurance scheme providing coverage for natural disasters.

31. China is one of the world's largest fish-producing countries, particularly in aquaculture, and is a net importer of fish. The simple average MFN tariff on fish and fishery products (WTO definition) was 6.8% in 2021, with tariffs ranging from 0%-15%. Since 2018, China has revised its fishing licence rules. No updated data were available on fisheries subsidies from 2019, and on fuel subsidies to the fisheries sector over the whole review period. However, the authorities indicate that the Government will shortly issue a new policy to terminate fuel and boat construction subsidies, with the last of these pay-outs being made at end-2020. Reportedly, the Government has taken measures to monitor and control fishing vessels, enhance its international compliance capability, and prevent illegal, unreported, and unregulated fishing activities, and it is taking first steps to introduce a total allowable catch system.

32. During the review period, some liberalization steps were taken in the mining sector to allow increased foreign participation; foreign investment prohibitions and restrictions on the exploration and development of a number of mining products were removed. Foreign investment in the exploration, exploitation, and processing of rare earths, radioactive minerals, and tungsten is prohibited. The average MFN applied tariff on mining products was 1.7% in 2021, unchanged since 2017.

33. China continues to reduce its proportion of coal consumption, in line with objectives set for green and low-carbon energy development in the 13th Five-Year Plan for Energy Development. Other measures regarding the promotion of clean energy included the authorities' efforts to fully operationalize China's carbon emission trading framework, set renewable electricity consumption quotas as a share of total power consumption in each province, and implement a new environmental tax policy. The energy sector was further opened to foreign investments during the review period, through several liberalization measures, such as the removal of the restrictions on the exploration and development of oil and natural gas (except for oil shale, oil sands, and shale gas).

34. The Made in China 2025 (or China Manufacturing 2025) initiative (launched in 2015) and the Internet Plus initiative (launched in 2015) remain China's main initiatives to promote its manufacturing sector. The authorities undertook a series of market-opening measures, such as lifting of restrictions on the shareholding ratio of foreign investment in commercial vehicle manufacturing, with a view to promoting the sector's competitiveness. Furthermore, some manufacturing activities were added to the list of encouraged industries, mainly certain items for integrated circuits, chip packaging equipment, cloud computing devices, key components of industrial robots, new energy vehicles, and intelligent vehicles. The average MFN applied tariff on manufactured products was 7% in 2021 (9.7% in 2017).

35. During the review period, China continued to liberalize its financial sector to allow increased foreign participation. A new supervision framework was established to address new types of financial risks, such as shadow banking. Foreign shareholding ratio limits were lifted for commercial banks, life insurers and insurance asset management companies, securities companies, futures companies, and fund management companies. Furthermore, foreign investors were allowed to participate in various segments of China's financial sector, including bond rating and private pension fund management.

36. In the telecommunications sector, China granted 5G licences to its three major telecom operators and a broadcasting company. At the same time, the authorities put in place strategic plans for an integrated development of 5G and industrial Internet. Several regulations, administrative measures, and technical specifications were adopted or published for public comment, with a view to fully implementing the 2017 Cybersecurity Law. The E-commerce Law was passed during the review period to regulate business activities of selling goods and/or providing services through information networks such as the Internet.

37. The State continues to have major presence in maritime and air transport. Developments in the maritime transport sector since 2018 have included continued measures to encourage qualified Chinese-funded international "Flag of Convenience" ships to return to China and a lifting of restrictions on foreign investment in international shipping and international shipping agency services in China. As is the case for other economies, the COVID-19 pandemic has had a big impact on the air transport sector, with international and domestic passenger flights dropping dramatically from February 2020; only the domestic passenger flight segment has recovered. China has taken various measures to support the air and maritime sectors in the wake of the COVID-19 outbreak.

1 ECONOMIC ENVIRONMENT

1.1 Main Features of the Economy

1.1. China's GDP per capita rose to USD 11,710 in 2020, up from USD 8,148 in 2016 (Table 1.1). Real GDP growth rates fell from just under 7% in 2016-18 to 6.0% in 2019 and 2.3% in 2020. Despite the slowdown in growth rates, China continues to be a major driver of global growth, and its convergence with advanced economies continues. Rapid economic development over the last decades, induced by market-oriented reforms, lifted hundreds of millions of people out of poverty.

1.2. China's population stood at an estimated 1.41 billion in 2020.[1] While the population is estimated to peak in 2029, at around 1.44 billion, the working-age population has been shrinking since 2012.[2] In 2020, China's newly born population was 12 million, the lowest since 1949. The percentage of people aged 65 and over has been rapidly rising, from 6.96% in 2000 to 13.50% in 2020. Urbanization further increased, with around 65% of the population now living in cities. Life expectancy is currently estimated at 77.3 years.

1.3. China's growth has been accompanied by an increase in income inequality. Despite unprecedented poverty reduction over the past decades, the income gap between the richest and the poorest remains significant. According to the National Bureau of Statistics, the Gini index of income distribution fell from 49.1 in 2008 to 46.2 in 2015, to climb again to 46.5 in 2019.[3] According to World Bank data, income distribution is more equal, with a Gini index of 43.0 in 2008, falling to 38.5 in 2016.[4] With regard to wealth distribution, some academic studies suggest that the top decile and percentile shares of wealth increased sharply between 1990 and 2015.[5] According to the authorities, official indicators on wealth distribution do not exist.

Table 1.1 Selected macroeconomic indicators, 2015-20

	2015	2016	2017	2018	2019	2020
Nominal GDP (CNY billion)	68,885.8	74,639.5	83,203.6	91,928.1	98,651.5	101,598.6
Nominal GDP (USD billion)	11,061.6	11,233.3	12,310.5	13,894.9	14,280.0	14,722.8
Real GDP (CNY billion, 2015 prices)	68,885.8	73,603.6	78,717.0	84,030.3	89,030.5	91,120.5
Real GDP (USD billion, 2015 prices)	11,061.6	11,077.4	11,646.7	12,701.1	12,887.3	13,204.4
GDP per capita (CNY)	50,237.0	54,139.0	60,014.0	66,006.0	70,581.0	..
GDP per capita (USD)	8,067.0	8,148.0	8,879.4	9,976.8	10,216.7	11,710.0
National accounts						
Real GDP (percentage change)	7.0	6.8	6.9	6.7	6.0	2.3
Domestic demand	7.3	7.9	6.8	7.4	5.5	1.5
Consumption	8.3	8.5	7.3	8.1	6.0	-0.8
Investment	6.1	7.2	6.1	6.5	4.5	4.6
Fixed	7.9	7.3	5.9	7.1	5.1	4.3
Contribution to GDP growth[a]						
Consumption	4.9	4.5	3.9	4.3	3.5	-0.5
Investment	1.6	3.1	2.7	2.9	1.7	2.2
Net exports	0.6	-0.8	0.3	-0.5	0.7	0.7
Unemployment rate (%)[b]	4.1	4.0	3.9	3.8	3.6	..
Prices and interest rates						
Inflation (CPI, percentage change)	1.4	2.0	1.6	2.1	2.9	3.8
Benchmark lending rate (%, end of year)	4.35	4.35	4.35	4.35	4.15	3.85
Benchmark deposit rate (%, end of year)	1.50	1.50	1.50	1.50	1.50	1.50
Exchange rate						
CNY per USD (period average)	6.227	6.644	6.759	6.616	6.908	6.899
Nominal effective exchange rate index (percentage change)	9.7	-5.4	-2.5	1.5	-1.8	-1.2
Real effective exchange rate (REER) index[c] (percentage change)	9.8	-4.9	-2.9	1.4	-0.8	1.3
Monetary indicators						
Net domestic credit (percentage change, end-period)	23.7	20.1	11.3	10.3	10.7	13.3
Broad money, M2 (percentage change, end-period)	13.3	11.3	9.0	8.1	8.7	10.1

[1] The authorities indicate that more accurate figures will be published with the results of the 2020 census, which were only partially available as at April 2021.

[2] Information provided by the authorities.

[3] National Bureau of Statistics, *Statistical Yearbook*, various issues.

[4] World Bank. Viewed at: https://data.worldbank.org/indicator/SI.POV.GINI.

[5] Picketty, T. (2020), *Capital and Ideology*, Cambridge, Massachusetts: Harvard University Press; and Piketty, T., Yang. L., and Zucman, G. (2019), "Capital Accumulation, Private Property, and Rising Inequality in China, 1978-2015", *American Economic Review*, Vol. 109, No. 7, pp. 2469-2496.

	2015	2016	2017	2018	2019	2020
Required reserve ratio (RRR) (% of bank deposits)	17.5	17.0	..	..	..	..
Excess reserve ratio (% of bank deposits)	2.1	..	..	..	..	..
Fiscal policy[d] (% of GDP)						
Financial deficit	-3.4	-3.8	-3.7	-4.1	-4.9	..
Total revenue	22.1	21.4	20.7	19.9	19.2	..
Tax revenue	18.1	17.5	17.4	17.0	15.9	..
Total expenditure	25.5	25.2	24.4	24.0	24.1	..
General government gross debt	41.1	44.2	46.8	50.6	51.6	..
Saving and investment (source: National Bureau of Statistics)						
GDP by expenditure approach (CNY billion)	69,209.4	74,598.1	82,898.3	91,577.4	99,070.8	..
Final consumption expenditure (CNY billion)	37,192.1	41,080.6	45,651.8	50,613.5	55,263.2	..
Households	26,020.2	28,866.8	32,069.0	35,412.4	38,718.8	..
Government	11,171.8	12,213.8	13,582.9	15,201.1	16,544.4	..
Gross capital formation (CNY billion)	29,782.7	31,819.9	35,788.6	40,258.5	42,667.9	..
Net exports of goods and services (CNY billion)	2,234.6	1,697.6	1,457.8	706.0	1,139.8	..
Savings (CNY billion)	31,354.1	33,196.5	37,405.9	40,805.9	43,807.7	..
Savings (% of GDP by expenditure)	45.3	44.5	45.1	44.6	44.2	..
Investment (% GDP by expenditure)	43.0	42.7	43.2	44.0	43.1	..
Savings-investment gap (% of GDP by expenditure)	2.3	1.8	1.9	0.6	1.2	..
Saving and investment (source: IMF)						
Gross national savings (% of GDP)	45.8	44.5	44.8	44.1	44.1	45.0
Gross investment (% of GDP)	43.0	42.7	43.2	44.0	43.1	43.1
Savings-investment gap (% of GDP)	2.8	1.8	1.6	0.1	1.0	1.9
External sector (% of GDP, unless otherwise indicated)						
Current account balance	2.6	1.7	1.5	0.2	0.7	1.9
Net merchandise trade	5.2	4.4	3.9	2.7	2.8	3.5
Value of exports	19.4	17.7	18.0	17.4	16.7	17.0
Value of imports	14.2	13.4	14.1	14.7	14.0	13.5
Services balance	-2.0	-2.1	-2.1	-2.1	-1.8	-1.0
Capital account	0.0	-0.0	-0.0	-0.0	-0.0	-0.0
Financial account (excluding reserve assets)	-0.8	0.2	0.1	1.1	0.2	-0.7
Direct investment, net	0.6	-0.4	0.2	0.7	0.4	0.7
Reserve assets	3.1	3.9	-0.7	-0.1	0.1	-0.2
Merchandise exports[e] (percentage change)	-4.5	-7.2	11.4	9.1	-1.3	4.6
Merchandise imports[e] (percentage change)	-13.4	-4.2	16.0	17.1	-2.1	-0.6
Service exports[e] (percentage change)	-0.8	-4.1	2.2	9.6	4.6	-3.7
Service imports[e] (percentage change)	0.7	1.3	6.9	11.4	-3.8	-24.7
Gross official reserves[f] (USD billion; end-period)	3,406.1	3,097.8	3,235.9	3,168.0	3,222.9	3,356.5
Foreign currency reserves (USD billion; end-period)	3,330.4	3,010.5	3,139.9	3,072.7	3,107.9	3,216.5
Total external debt (USD billion; end-period)	1,383.0	1,415.8	1,758.0	1,982.8	2,057.3	2,132.4
Debt service ratio[g]	5.0	6.1	5.5	5.5	..	..

.. Not available.

a Refers to the growth of GDP multiplied by the respective contribution share.
b Registered unemployment in urban areas.
c A positive increase in the REER means an appreciation of the CNY relative to the other major currencies in the index.
d Including central and local governments.
e Growth rates on merchandise and services trade are based on USD.
f Including foreign currency reserves, IMF reserve position, special drawing rights, and gold.
g Debt service ratio refers to the ratio of the payment of principal and interest of foreign debts to the foreign exchange receipts from foreign trade and non-trade services of the current year.

Source: National Bureau of Statistics; State Administration of Foreign Exchange; People's Bank of China; and the IMF.

1.4. Since the global financial crisis in 2008, China has experienced a marked slowdown in growth of total factor productivity (TFP), according to a World Bank study; the authorities indicate that no estimates of TFP were conducted by the Government, and they do not agree with this assessment.[6] Aggregate TFP growth is reported to have slowed from 2.8% in 1998-2008 to 0.7% in 2009-18. In 2017, signs of improving labour productivity and TFP growth emerged, but both remain significantly lower than their pre-crisis levels. According to this study, it would also appear that the allocation of a larger share of credit and investment to infrastructure and housing led to lower returns on capital, a rapid build-up in debt, and higher risks to growth. Also, an academic study suggests that the resurgence in the state sector following the global financial crisis may have contributed to larger

[6] Brandt, L., Litwack, J., et al. (2020), *China's Productivity Slowdown and Future Growth Potential*, World Bank Policy Research Working Paper 9298.

entry barriers for non-state firms and, hence, lower non-state sector growth.[7] The authorities do not agree with these views.[8]

1.5. Under its 14th Five-Year Plan for Economic and Social Development (2021-25), China aims to achieve "sustained and healthy" economic development in 2021-25, with a focus on higher quality growth.[9] While not suggesting specific GDP growth targets, the Plan lays out a 15-year goal to raise per capita GDP levels to those of a moderately developed country by 2035, while strengthening China's technological capacities, developing a robust domestic market, and reaffirming a significant green transformation of production and lifestyles.

1.2 Recent Economic Developments

1.2.1 Growth and impact of COVID-19

1.6. The COVID-19 pandemic has posed an unprecedented shock to China's economy. Besides inflicting human costs, it has had a major impact on output, trade, and employment. At the beginning of 2020, economic growth fell to its lowest level in 40 years: between the last quarter of 2019 and the first quarter of 2020, growth fell by almost 13 percentage points, from 5.8% to -6.8%.[10] Apart from financial services and information technology, all sectors were severely hit. Over 100 million workers were directly affected by the pandemic, by being put on unpaid leave in retention schemes or reduced-work programmes, exiting the labour market, or becoming unemployed.[11] In May 2020, the Government abandoned the announcement of the annual GDP target for the first time in more than 25 years due to factors that are difficult to predict, such as the coronavirus pandemic and uncertainties around trade.

1.7. Fuelled by a middle class that has been increasing both in number and in average income, consumption played an important role in sustaining economic growth until 2019, although household saving rates remained high. Over the same period, investment growth slowed. Starting in mid-2020, China's economy began to recover from the pandemic, as economic activity normalized. The recovery was mainly driven by public investment and international trade, whereas private consumption remained sluggish in the presence of continued uncertainties; the authorities consider that the recovery in private consumption gained momentum in recent months, as observed in retail sales of consumer goods.

1.8. Poverty rates fell during the review period. According to the authorities, the incidence of poverty dropped from 3.1% in 2017 to 1.7% in 2018 and to 0.6% in 2019, using the 2011 poverty line.[12] At the same time, income levels of those over the poverty line or living in poor regions rose significantly. The authorities also underline the results that were achieved regarding access to basic education, electricity, healthcare, and improved infrastructure. The authorities further indicate China's aim to completely eradicate poverty by 2020.

1.9. With regard to the sectoral composition of China's GDP, the long-term structural change away from industry towards services continued during the review period (Table 1.2). The contribution of agriculture to GDP fell from 8.7% in 2015 to 7.3% in 2018, before slightly climbing again during the pandemic. While the share of industry fell, it remains very high by international comparison, at around 31%. Services now make up 55% of China's GDP, up from 51% in 2015. The fastest-growing service sectors during the review period include information transmission, software, and information

[7] Lardy, N. (2019), *The State Strikes Back: The End of Economic Reform in China?* Washington, DC: Peterson Institute for International Economics.

[8] According to the authorities, by end-2020, the balance of CNY real estate loans grew by 11.7% year-on-year, 3.1 percentage points lower than the growth rate of end-2019; according to China's official statistics, in regard to profit, the growth rate of private companies was higher than that of state-owned enterprises.

[9] NDRC. Viewed at: https://www.ndrc.gov.cn/xxgk/zcfb/ghwb/202103/t20210323_1270124.html.

[10] Data provided by the authorities.

[11] ILO (2020), *China – Rapid Assessment of the Impact of COVID-19 on Employment*. The authorities indicate that in 2020 11.86 million new jobs were created for urban residents, and the average surveyed urban unemployment rate was 5.6%.

[12] It should be noted that China's progress in poverty alleviation is strongly dependent on the poverty line chosen as a benchmark. According to an academic study, progress is most impressive when using the 1985 poverty line, equivalent to USD 0.98 in 2011 prices. The use of the 2000 (equivalent to USD 1.30 in 2011 prices) or the 2011 (USD 2.29) poverty lines leads to lower poverty reduction. Chen, S. and Ravallion, M. (2020), *Reconciling the Conflicting Narratives on Poverty in China*, NBER Working Paper 28147.

technology; and leasing and business services. Nevertheless, the pandemic-related slump was strong for individual subsectors such as accommodation and food service activities, as well as wholesale and retail trade.

Table 1.2 GDP by sector, 2015-20

	2015	2016	2017	2018	2019	2020
GDP by industry at constant prices (annual percentage change)						
Agriculture, forestry and fishing	4.0	3.5	4.1	3.6	3.2	3.1
Industry[a]	5.7	5.7	6.2	6.1	4.8	2.4
Manufacturing	6.2	5.9	6.5	6.1	4.6	2.3
Construction	7.3	7.7	3.9	4.8	5.2	3.5
Services	8.8	8.1	8.3	8.0	7.2	2.1
Wholesale and retail trade	6.7	7.7	7.8	6.7	5.6	-1.3
Accommodation and food service activities	6.6	7.7	8.2	6.7	5.5	-13.1
Transport, storage and communication	4.4	6.9	9.6	8.3	6.5	0.5
Financial intermediation	16.7	4.8	4.8	4.8	6.6	7.0
Real estate	3.8	8.8	7.0	3.5	2.6	2.9
Information transmission, software and information technology	13.7	16.9	20.5	27.8	21.7	16.9
Leasing and business services	11.1	13.0	12.0	10.9	8.7	-5.3
Other	8.7	8.0	7.8	7.6	6.9	1.0
Share of main sectors in current GDP (%)						
Agriculture, forestry and fishing	8.7	8.4	7.8	7.3	7.5	8.0
Industry[a]	34.1	32.9	33.1	32.8	31.6	30.8
Manufacturing	29.0	28.1	28.1	27.8	26.8	26.2
Construction	6.9	6.9	7.0	7.1	7.2	7.2
Services	50.8	52.4	52.7	53.3	54.3	54.5
Wholesale and retail trade	9.8	9.9	9.8	9.7	9.7	9.4
Accommodation and food service activities	1.8	1.8	1.8	1.8	1.8	1.6
Transport, storage and communication	4.4	4.4	4.5	4.4	4.3	4.1
Financial intermediation	8.2	8.0	7.8	7.7	7.7	8.3
Real estate	6.2	6.7	6.9	7.0	7.1	7.3
Information transmission, software and information technology	2.5	2.7	2.9	3.1	3.4	3.7
Leasing and business services	2.6	2.9	3.0	3.2	3.3	3.1
Other[b]	14.7	15.4	15.6	15.9	16.4	16.5

a Including mining and quarrying, manufacturing, and production and supply of electricity.
b Includes scientific research and technical services; water, environment, and public facilities management; resident services, repairs and other services; education; health and social work; culture, sports and entertainment; and public management, social security, and social organizations.

Source: National Bureau of Statistics. Viewed at: https://data.stats.gov.cn/english/easyquery.htm?cn=B01.

1.10. Swift fiscal and monetary policy reactions (Section 1.2.2) helped mitigate the economic impact of the COVID-19 pandemic and prepare for the recovery. GDP growth was 2.3% in 2020, which made China the only G-20 economy with a positive growth rate that year. Growth is projected to be over 6% in 2021, as economic activities continue to normalize and further domestic outbreaks of COVID-19 remain under control. However, according to the IMF, risks of the projection are tilted to the downside, with a possible resurgence of the pandemic and a tightening of financial conditions.[13]

1.2.2 Monetary and exchange rate policy

1.11. Price stability remains the primary, but not the only, goal of monetary policy. Under the Law on the People's Bank of China (PBOC), the objective of monetary policy is to maintain the stability of the value of the currency and thereby promote economic growth. However, the PBOC refrains from explicit inflation targeting. Overall, monetary policy remained prudent until early 2020.

1.12. In August 2019, the PBOC changed the formation mechanism of China's lending benchmark rate, the loan prime rate (LPR). With a view to better reflecting market dynamics, the new LPR is linked to rates set during open market operations, namely the PBOC's medium-term lending facility, which is determined by broader financial system demand for central bank liquidity. The number of quotation banks was expanded from national banks to urban commercial banks, rural commercial

[13] IMF (2021), *People's Republic of China: Staff Report for the 2020 Article IV Consultation*, IMF Country Report No. 21/6. The authorities indicate that they do not agree with various conclusions of recent IMF and OECD reports.

banks, foreign-invested banks, and private banks. Since August 2019, the new LPR has been announced on the 20th of every month, in lieu of publishing it on a daily basis.

1.13. With a view to safeguarding financial market stability and providing liquidity to the banking system during the pandemic, the PBOC expanded its relending facilities to provide targeted support to manufacturers of medical supplies and daily necessities. Furthermore, the authorities tolerated rising levels of non-performing loans in heavily impacted regions and sectors, and introduced a payment moratorium for most micro, small, and medium-sized enterprises (MSMEs) and other eligible firms until end-2021. Furthermore, the PBOC lowered various policy rates. Non-interest rate instruments deployed by the PBOC aimed to provide additional support especially to smaller firms. They included expanding relending facilities, reducing targeted reserve requirement ratios, increasing bank lending targets, expanding credit support by policy banks, subsidizing local banks' repayment moratoria, and introducing a zero-interest scheme for uncollateralized lending to MSMEs. The various measures led to a rapid increase in bank lending and had a significant positive measure on corporate bond issuance.

1.14. As a result of the Government's stabilizing measures, however, financial stability risks increased.[14] According to the IMF, these risks include a strong increase in private sector debt, a likely deterioration of credit quality, and intensified pressure on small banks and some local governments. The authorities consider that the quality of credit assets of commercial banks is basically stable. The IMF estimates corporate debt to have increased by some 10 percentage points to 127% of GDP in 2020, while local government debt (excluding local government financing vehicles) also rose rapidly, to some 25% of GDP.

1.15. The CPI inflation rate was low during the review period. However, in the first half of 2020, inflation picked up, to increase to 3.8%, mainly caused by increasing food (notably pork) prices due to the lingering effects of the African swine fever and heavy rains and floods. In November 2020, the CPI fell by 0.5%, China's first decrease in the CPI since November 2009. The decrease in prices was caused by a drop in food prices, notably of pork.

1.16. China has a managed floating exchange rate regime. Since 2015, the exchange rate of the Chinese yuan (CNY) has been determined with reference to a basket of currencies with a publicly known composition; the CNY's central parity is determined daily as a "fix". The fix takes into account the previous day's closing rate, and the move of the currency basket overnight. The use of the counter-cyclical adjustment factor in the daily trading band's central parity formation, which was introduced in 2017, was phased out in October 2020. Market makers can deviate 2% in either direction. At the end of 2020, the central parity of the CNY exchange rate was CNY 6.5249 per US dollar, down from a seasonal high of CNY 7.1690 in May 2020.

1.17. Officially reported foreign exchange reserves have held steady at around USD 3.1 trillion since mid-2016, signalling that the CNY faced no great appreciation or depreciation pressure during the review period.

1.18. China continued its efforts during the review period to further internationalize the CNY; for example, it took measures including bilateral swap agreements[15], the pursuit of alternatives to the SWIFT inter-bank payments system[16], and investment in credit rating agencies for sovereign debt. According to the authorities, China promotes the two-way opening of the capital market, facilitates foreign investors to invest in CNY assets, optimizes policies on cross-border CNY business, promotes trade and investment facilitation, and further improves the CNY internationalization infrastructure. About 70 countries now also use the CNY as reserve currency. Yet as at mid-2020, only about 2% of global payments were conducted through the CNY.[17] It would appear that regulations on capital movements (see below) constitute a major obstacle for the further internationalization of the CNY.

[14] IMF (2021), *People's Republic of China: Staff Report for the 2020 Article IV Consultation*, IMF Country Report No. 21/6.

[15] As at January 2021, China entered into bilateral swap agreements with 40 trading partners. The largest are with Hong Kong, China (CNY 450 billion), the Republic of Korea (CNY 400 billion), the United Kingdom (CNY 350 billion), and Singapore (CNY 300 billion).

[16] China launched the China Inter-bank Payment Service (CIPS) clearing and settlement services system in 2015. Supervised by the Central Bank, CIPS states that it processed CNY 181.8 billion (USD 28.2 billion) a day in 2020, with participation of banks from 99 countries and regions.

[17] PBOC (2020), *2020 RMB Internationalization Report*. According to the Report, more than 70 central banks and monetary authorities have incorporated the CNY into their foreign exchange reserves.

China's bilateral lending to the rest of the world substantially increased over the past years (Table A1.1).

1.19. Since 2014, the PBOC has been developing a central bank digital currency, the e-CNY or e-renminbi. It is designed to be a legal tender combining digital currency and electronic payment characteristics, thus serving as cash (M0). The e-CNY is currently being tested across several regions, selected banks, and electronic payment platforms. It is expected to offer a higher degree of anonymity and lower handling charges than those of existing payment providers, higher compatibility across platforms, and, by broadening the reach of people with limited access to finance, to lead to more financial inclusion. The PBOC plans to use the e-CNY for domestic transactions initially.

1.20. The CNY is fully convertible for current account transactions and partially convertible for some capital account transactions. Residents and non-residents are permitted to use the CNY for foreign direct investment.

1.21. Regulations on capital movements, set by the State Administration on Foreign Exchange (SAFE), remain in place on inflows and outflows. New foreign exchange measures entered into force on 1 January 2020. The 12 measures introduced various relaxations and simplifications and extended the scope and application of existing regional pilot schemes.

1.22. "Qualified institutional investors" (overseas institutional investors that have been approved by the China Securities Regulatory Commission) may invest in China's stock and bond market through specific channels. Regulations on portfolio inflows have been further liberalized. In November 2020, the two major inbound foreign investment programmes (Qualified Foreign Institutional Investors, QFII, and Renminbi Qualified Foreign Institutional Investors, RQFII) were combined, while applications were simplified, review cycles shortened, data submission requirements reduced, and some restrictions lifted. Foreign portfolio investment (the market value of equities held by QFII/RQFII) in China amounted to CNY 1,081 billion in February 2021.

1.2.3 Fiscal policy

1.23. Against the background of dampening of domestic demand and weaker exports, partly resulting from trade tensions, the authorities resorted to various stimulus measures during the review period, involving taxes, access to credit, and infrastructure investment; however, according to an OECD study, the stimulus may increase corporate sector indebtedness and, more generally, reverse progress in the deleveraging of state-owned enterprises (SOEs).[18] The authorities do not agree with the conclusion of the OECD study. They indicate that the description in the study does not reflect the facts. For example, they state that the overall debt risk of central SOEs is dropping; there has been no bond default since 2017, and the average debt ratio of central SOEs decreased from 66.7% in 2016 to 65.0% in 2019.

1.24. With a view to mitigating the economic impact of the COVID-19 pandemic, the Government put in place strong and exceptionally high fiscal support, including an extension of the coverage of unemployment insurance. The Government also provided various tax relief measures and partially waived social security contributions by employers to protect employment. With the reopening of the economy, fiscal policy measures shifted to demand support, including infrastructure investment, while employment measures remained important.

1.25. According to the IMF, the total amount of discretionary fiscal policy measures implemented in 2020 was estimated at 4.7% of GDP. Coupled with declining tax revenue, the measures contributed to a strong increase in the deficit of the Central Government, to some 18.2% of GDP.[19] This is a major increase compared with the period since 2015, when fiscal deficits oscillated between 3% and 5% of GDP. As a result, China's augmented debt[20] to GDP ratio increased to some 92%

[18] IMF (2021), *People's Republic of China: Staff Report for the 2020 Article IV Consultation*, IMF Country Report No. 21/6; and OECD (2019), *OECD Economic Surveys: China 2019*.

[19] IMF (2021), *People's Republic of China: Staff Report for the 2020 Article IV Consultation*, IMF Country Report No. 21/6.

[20] The augmented deficit, as defined by the IMF, includes local government investment vehicles, government-guided funds, and other off-budget activities.

in 2020. Against the background of narrowing fiscal space and a rapidly ageing population, fiscal consolidation with appropriate adjustment policies will be important in the medium term.

1.26. Value added tax and other indirect taxes contribute to some 65% of fiscal revenues, whereas corporate taxes account for around 26% and the personal income tax (PIT) for some 5%. A 2018 reform of the PIT raised the taxable income threshold and introduced a wide range of deductions that further narrowed the tax base. Customs tariffs and other import duties accounted for about 1.8% of total fiscal revenue in 2018. China's tax to GDP ratio amounted to 17% in 2018, and to 16% in 2019.

1.2.4 Structural measures

1.27. Structural reforms since China's previous Review include the implementation of tariff cuts (Section 3.1.3), the further opening of the financial sector with a shortening of the negative list for financial FDI, and the removal of restrictions on the investment quota for foreign institutional investors (Section 4.4.1).

1.28. Labour market reforms provided for a cautious liberalization of the *hukou*[21] or permit system, with a view to increasing labour market mobility and improving the allocation of labour. Under the 2019 Urbanization Plan, cities with populations of less than 3 million eliminated all restrictions on household registration. Moreover, cities with populations between 3 million and 5 million relaxed restrictions on new migrants and removed limits on key population groups.

1.29. State ownership remains important, even in non-strategic, commercially oriented sectors, with SOEs still having large market shares. At the same time, reform of SOEs proceeded almost exclusively in the context of mixed ownership (Section 3.3.5).

1.30. Various regulatory measures were undertaken during the review period in order to ensure financial stability by enhancing prudential regulations and deleveraging highly indebted corporations (Section 4.4.1). These measures include the reining-in of shadow banks, tighter rules on informal lending, the merger of the banking regulator and the insurance regulator into the China Banking and Insurance Regulatory Commission (CBIRC) in 2018, and ongoing reforms of the comprehensive national social credit system, which covers firms and individuals.[22]

1.31. Under the One Belt and One Road Initiative, or the Belt and Road Initiative (BRI)[23], launched in 2013, the Government seeks to connect nearly 140 countries and regions through rail lines, pipelines, highways, ports, and other infrastructure. As at March 2021, total expenditure under the BRI amounted to USD 640 billion. According an OECD study, infrastructure projects of the BRI may have an impact on the debt burden on recipient countries.[24] Nonetheless, the authorities do not agree with the conclusion of the study. The authorities also underline the trade-enhancing and mutually beneficiary nature of the projects.

1.2.5 Balance of payments

1.32. China's current account surplus started to decline in 2016, with a surplus of USD 191.3 billion (1.7% of GDP). In 2018, the surplus narrowed to USD 24.1 billion, but grew again to USD 102.9 billion in 2019 (Table 1.3). Available information for 2020 indicates a widening of the surplus, to USD 273.9 billion (1.9% of GDP), caused mainly by lower commodity prices, the collapse

[21] *Hukou* is a household registration system. The authorities state that the registration distinction between agricultural and non-agricultural households has been abolished, and certain policies differentiating urban and rural household registrations have been abolished.

[22] China's social credit system is composed of databases and initiatives that monitor and assess the trustworthiness of individuals, companies, and government entities. Each entry is given a social credit score, with rewards for those who have a high rating, and negative consequences for those with low scores. The databases are managed by the National Development and Reform Commission (NDRC), the PBOC, and the country's court system.

[23] The BRI is a network of ports, roads, railways, airports, power plants, oil and gas pipelines and refineries, and free trade zones. It also incorporates the supporting IT, telecom, and financial infrastructure. On land, it follows the ancient Silk Road connecting Asia with Europe, while at sea, the Maritime Silk Road connects eastern China to the Middle East, Africa, and Europe.

[24] OECD (2019), *OECD Economic Surveys: China 2019*.

in outbound tourism, and a surge in exports of pandemic-related and other goods. For 2021, the authorities predict a narrowing of the current account surplus.

Table 1.3 Balance of payments, 2015-20

(USD million)

	2015	2016	2017	2018	2019	2020
Current account	**293,022**	**191,337**	**188,676**	**24,131**	**102,910**	**273,980**
Goods and services balance	357,871	255,737	217,010	87,905	131,844	369,673
Trade balance	576,191	488,883	475,941	380,074	392,993	515,000
Exports	2,142,753	1,989,519	2,216,214	2,417,443	2,386,640	2,497,156
Imports	1,566,562	1,500,636	1,740,272	2,037,369	1,993,647	1,982,156
Service balance	-218,320	-233,146	-258,932	-292,168	-261,149	-145,327
Exports	217,399	208,404	213,064	233,567	244,359	235,209
Imports	435,719	441,550	471,995	525,735	505,508	380,536
Income	-52,199	-54,880	-16,478	-61,365	-39,184	-105,173
Credit	223,816	226,654	289,698	268,496	273,514	241,681
Compensation of employees	33,105	26,883	21,699	18,109	14,258	14,736
Investment income	189,885	199,210	267,303	248,295	257,464	224,393
Other	826	560	697	2,092	1,792	2,552
Debit	276,015	281,533	306,176	329,861	312,699	346,854
Compensation of employees	5,718	6,211	6,762	9,946	11,157	14,360
Investment income	270,139	275,108	299,156	319,616	300,820	331,508
Other	158	215	258	299	722	986
Current transfers	-12,649	-9,520	-11,856	-2,410	10,250	9,480
Credit	35,938	30,900	28,168	27,757	25,907	37,607
Debit	48,588	40,420	40,024	30,167	15,657	28,127
Capital account	**316**	**-344**	**-91**	**-569**	**-327**	**-77**
Financial account	**-91,523**	**27,594**	**18,021**	**153,795**	**26,598**	**-105,765**
Assets	9,454	-231,985	-423,920	-362,039	-260,532	-626,329
Liabilities	-100,977	259,579	441,941	515,835	287,130	520,563
Financial account excluding reserve assets	-434,462	-416,070	109,537	172,682	7,308	-77,759
Direct investment	68,099	-41,675	27,791	92,338	50,260	102,554
Assets	-174,391	-216,424	-138,293	-143,027	-136,910	-109,922
Liabilities	242,489	174,750	166,084	235,365	187,170	212,476
Portfolio investment	-66,470	-52,271	29,498	106,874	57,948	87,329
Assets	-73,209	-102,770	-94,803	-53,507	-89,419	-167,333
Equity securities	-39,679	-38,238	-32,847	-17,712	-29,332	-130,996
Debt securities	-33,530	-64,531	-61,956	-35,795	-60,087	-36,338
Liabilities	6,739	50,499	124,301	160,381	147,366	254,662
Equity securities	14,964	23,416	36,209	60,668	44,906	64,138
Debt securities	-8,226	27,083	88,092	99,713	102,460	190,525
Financial derivates (other than reserves) and employee stock options	-2,087	-5,384	354	-6,153	-2,355	-11,409
Assets	-3,420	-6,550	1,538	-4,816	1,393	-6,901
Liabilities	1,333	1,166	-1,185	-1,338	-3,748	-4,508
Other investment	-434,004	-316,741	51,894	-20,376	-98,545	-256,234
Assets	-82,465	-349,906	-100,847	-141,803	-54,886	-314,166
Other equity	-12	-2	40	-1,493	-1,491	-484
Currency and deposits	-55,010	-64,280	-57,111	-14,999	-101,750	-130,397
Loans	-47,464	-110,267	-43,466	-81,830	25,962	-128,177
Insurance, pension, and standardized guarantee schemes	-3,198	-266	-47	-573	-1,168	-3,330
Trade credits and advances	-45,966	-100,800	-19,400	-65,300	36,800	-36,900
Other accounts receivable	69,186	-74,292	19,137	22,392	-13,240	-14,878
Liabilities	-351,538	33,165	152,742	121,427	-43,659	57,933
Currency and deposits	-122,552	9,062	107,944	51,436	-55,734	77,437
Loans	-166,667	-17,361	50,060	32,115	42,540	-35,442
Insurance, pension, and standardized guarantee schemes	2,393	-668	657	210	1,803	3,275
Trade credits and advances	-62,283	16,200	-1,200	40,800	-28,750	7,550
Other accounts payable	-2,428	25,932	-4,719	-3,135	-3,517	5,113
Reserve assets	342,939	443,665	-91,516	-18,887	19,291	-28,006
Net errors & omissions	**-201,816**	**-218,587**	**-206,606**	**-177,358**	**-129,181**	**-168,138**

Note: In the financial account, a positive value for assets represents a net decrease, while a negative value represents a net increase. A positive value for liabilities represents a net increase, while a negative value represents a net decrease.

Source: State Administration of Foreign Exchange. Viewed at: http://www.safe.gov.cn/.

1.33. The financial account (excluding reserve assets) posted a strong deficit in 2015, a surplus between 2016 and 2019, and a deficit in 2020. Direct investment posted a surplus in all recent years except for 2016. Projects under the BRI played an important role in outward investments. The authorities consider that the surplus was due in part to China's endeavours to open the economy.

The deficit on the portfolio investment account declined until 2016 and turned into a surplus in 2017. In 2020, the surplus amounted to USD 87.3 billion.

1.34. China's declining merchandise trade surplus was a major driver of its narrowing current account surplus. The merchandise trade surplus fell from USD 576 billion in 2015 to USD 380 billion in 2018, before climbing again to USD 393 billion in 2019. Available figures for 2020 indicate that the COVID-19 pandemic led to a further increase in China's trade surplus, to USD 515 billion; in the first phase of the pandemic, imports plummeted more quickly than exports, and in the second phase exports recovered earlier. China's balance of trade in services has traditionally posted a deficit, which grew between 2015 and 2018, but fell in 2019 and 2020.

1.3 Developments in Trade and Investment

1.3.1 Trends and patterns in merchandise and services trade

1.35. China's merchandise exports increased every year between 2016 and 2019, to attain a peak of nearly USD 2.6 trillion in 2020 (Chart 1.1 and Table A1.2). In the first half of 2020, export levels fell due to the COVID-19 pandemic, but China's share of global manufacturing exports rose to a record high in the second half of the year. Exports received a boost because China was the first manufacturing power to resume operations after the first wave of international shutdowns, and it is the world's bigger producer of protective health equipment, such as masks and surgical gowns, and electronics related to working from home.

1.36. China's merchandise imports increased sharply between 2016 and 2018, but fell in 2019 and 2020 (Table A1.3). During the pandemic, merchandise imports fell sharply, to USD 931 billion in the first half of 2020, but the decrease in imports was less pronounced than that for exports. During the second half of 2020, imports recovered and contributed to sustaining global growth.

1.37. During the review period, the United States and the European Union (EU-27) remained China's main destinations for merchandise exports (Chart 1.2 and Table A1.4). The European Union's share in China's exports increased from 13.5% in 2016 to 15.1% in 2020. Within the European Union, the importance of Germany and the Netherlands as export destinations further increased. The United States' share fell, from over 19% in 2018 to 17.5% in 2020. Asia remains the most important region for China's goods exports, with a share of over 44% in 2020. Within Asia, Japan and the Republic of Korea are the most important trading partners. Africa and the Middle East received between 4% and 5% of China's exports, while the share for Latin America fluctuated around 6%.

1.38. On the import side, the European Union is the most important suppliers of goods, with a share of 12.6% of all imports in 2020 (Table A1.5). The share of the United States in China's imports fell, from nearly 9% in 2015 to 6.6% in 2020. The share of imports originating in Asia fluctuated around 47% between 2016 and 2019. It increased to over 49% in 2020. Australia's share increased over time, to 5.6% in 2020. Africa and the Middle East account for 4% and 7% of China's imports, respectively.

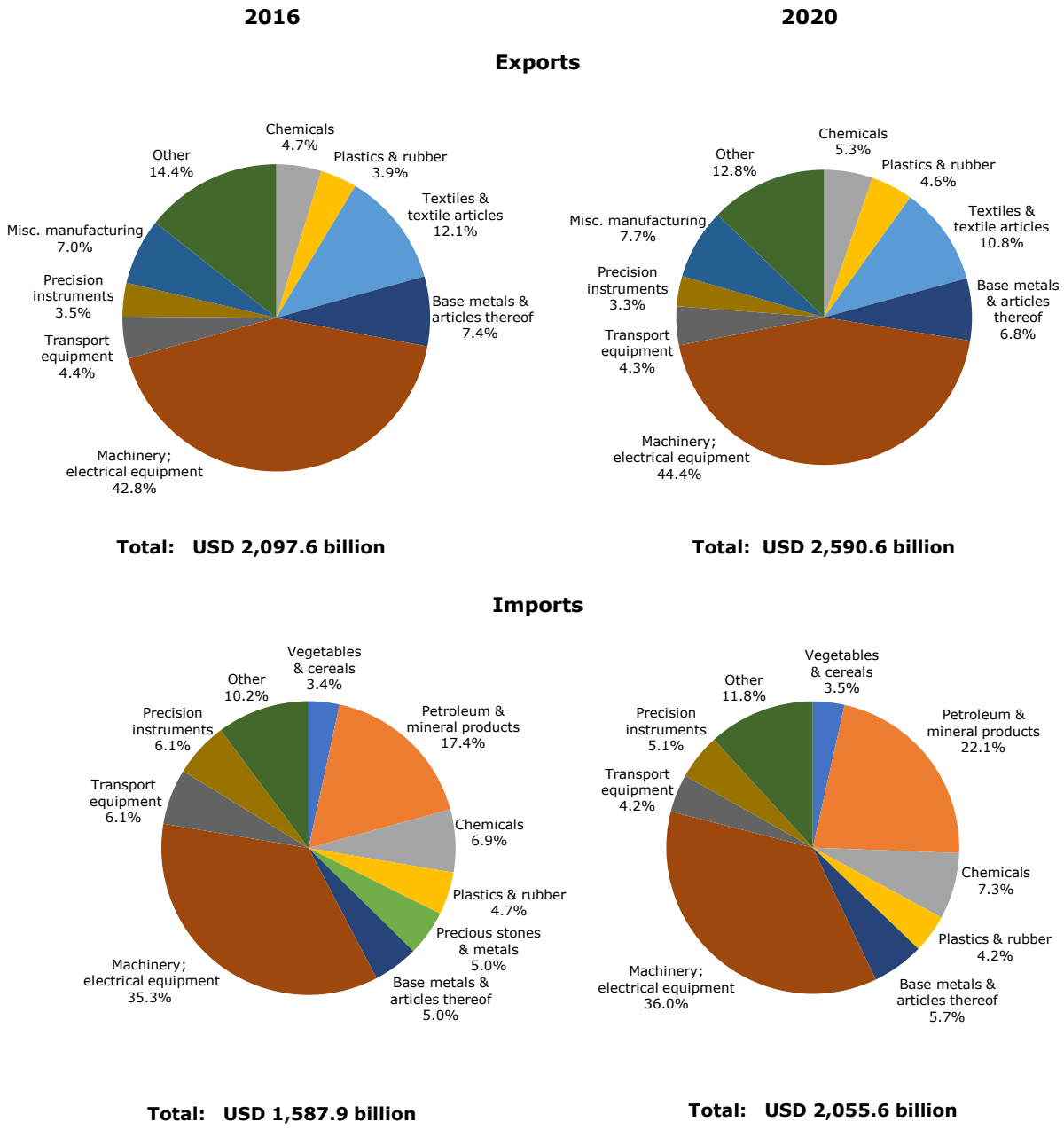
1.39. Machinery and electrical equipment continue to represent a very large and rising share in China's merchandise exports – over 44% in 2020 (Chart 1.1 and Table A1.2). The share of textiles and textile articles fell from 12.0% in 2015 to 10.4% in 2019, and up slightly to 10.8% in 2020. The shares of chemical products and plastics increased during the same period.

1.40. At about 35%, machinery and electrical equipment make up an important and stable share of China's imports (Table A1.3). The share of mineral products in China's imports increased from some 17% in 2016 to 25% in 2019, mainly caused by an increase of the share of fuels. Its share dropped to 22.1% in 2020. Until 2017, China was the leading importer of plastic waste (totalling USD 3,263 million), but since then it has reduced its imports to USD 49 million in 2018, USD 0.5 million in 2019, and USD 0.1 million in 2020.[25]

[25] UN Comtrade database.

1.41. According to an academic study, it would appear that the structure of merchandise trade has been characterized by a rapid expansion of production stages conducted in China.[26] It states that Chinese firms span more production stages as they grow more productive, larger, and more experienced.

Chart 1.1 Product composition of merchandise trade by main HS section, 2016 and 2020



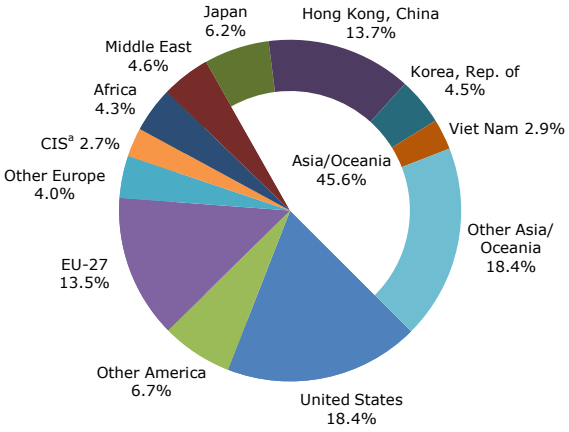
Source: UN Comtrade database.

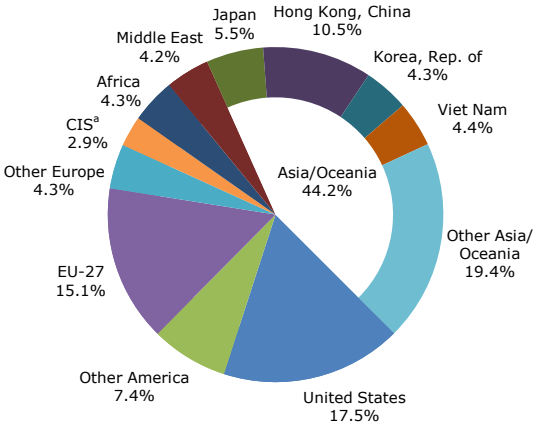
[26] Chor, D., Manova, K., and Yu, Z. (2020), *Growing Like China: Firm Performance and Global Production Line Position*, NBER Working Paper No. 27795, September 2020.

Chart 1.2 Direction of merchandise trade, 2016 and 2020

2016 **2020**

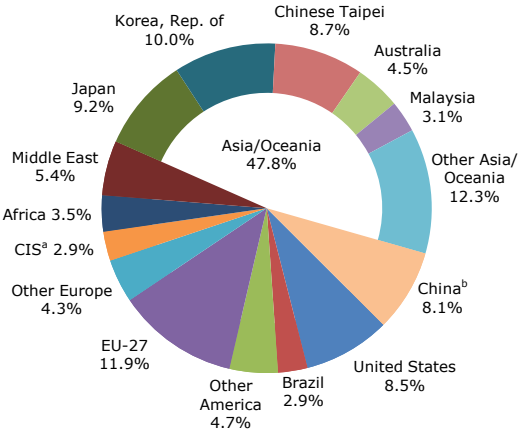
Exports (f.o.b.)

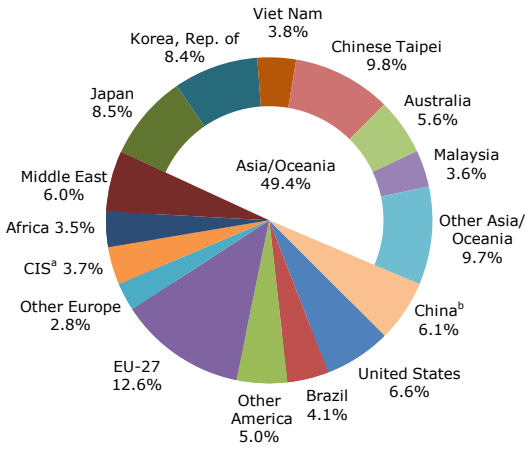




Total: USD 2,097.6 billion **Total: USD 2,590.6 billion**

Imports (c.i.f.)





Total: USD 1,587.9 billion **Total: USD 2,055.6 billion**

a Commonwealth of Independent States, including certain associate and former member states.
b Includes goods that have been exported from China and thereafter re-imported into China.

Source: UN Comtrade database.

1.42. Services exports grew from USD 217 billion in 2015 to USD 244 billion in 2019, but fell to USD 235 billion in 2020. They are mostly composed of various business services, transportation, and travel (Table 1.4). The relative importance of communication, computer, information, maintenance, repair, and other business services grew, while the shares of manufacturing services and travel decreased over time.

Table 1.4 Composition of trade in services, 2015-20

	2015	2016	2017	2018	2019	2020
Total credit (USD billion)	217.4	208.4	213.1	233.6	244.4	235.2
	% of total credit					
Manufacturing services on physical inputs	9.4	8.9	8.5	7.5	6.4	5.6
Maintenance and repair services	1.7	2.5	2.8	3.1	4.2	3.3
Transportation	17.8	16.2	17.5	18.1	18.9	24.1
Travel	20.7	21.3	18.1	17.3	14.7	6.0
Construction	7.7	6.1	5.7	5.8	5.9	5.4
Insurance and pension	2.3	1.9	1.9	2.1	2.0	2.3
Financial services	1.1	1.5	1.6	1.4	1.6	1.8
Charges for the use of intellectual property	0.5	0.6	2.3	2.4	2.7	3.6
Communication, computer & information	11.3	12.2	12.6	12.9	14.3	16.5
Other business services	26.9	27.8	27.8	28.3	28.3	29.9
Personal, cultural & recreational services	0.3	0.4	0.4	0.4	0.4	0.4
Government goods and services	0.5	0.6	0.8	0.8	0.6	1.1
Total debit (USD billion)	435.7	441.5	472.0	525.7	505.5	380.5
	% of total debit					
Manufacturing services on physical inputs	0.04	0.04	0.04	0.1	0.1	0.1
Maintenance and repair services	0.3	0.4	0.5	0.5	0.7	0.9
Transportation	19.6	18.2	19.8	20.8	20.8	24.9
Travel	57.3	56.6	54.6	52.7	50.4	34.3
Construction	2.3	1.9	1.8	1.6	1.8	2.1
Insurance and pension	2.0	2.9	2.4	2.2	2.2	3.2
Financial services	0.6	0.5	0.3	0.4	0.5	0.9
Charges for the use of intellectual property	5.1	5.4	6.1	6.8	6.8	9.9
Communication, computer & information	2.6	2.9	4.1	4.5	5.3	8.7
Other business services	9.1	9.8	9.0	8.9	9.9	13.3
Personal, cultural & recreational services	0.4	0.5	0.6	0.6	0.8	0.8
Government goods and services	0.6	0.7	0.7	0.9	0.7	0.9

Source: Information provided by the authorities.

1.43. According to the authorities, in 2019, China's major trading partners for trade in services were Hong Kong, China; the United States; Japan; Singapore; Germany; and the United Kingdom.

1.44. Services imports grew from USD 436 billion in 2015 to USD 506 billion in 2019, but fell to USD 380 billion in 2020. Travel is traditionally by far the most important individual category, though its share had already declined before the pandemic, followed by transport services and business services. While the contribution of travel and construction services decreased, the relative importance of telecommunications, computer and information services, and of charges for the use of intellectual property grew over time.

1.3.2 Trends and patterns in FDI

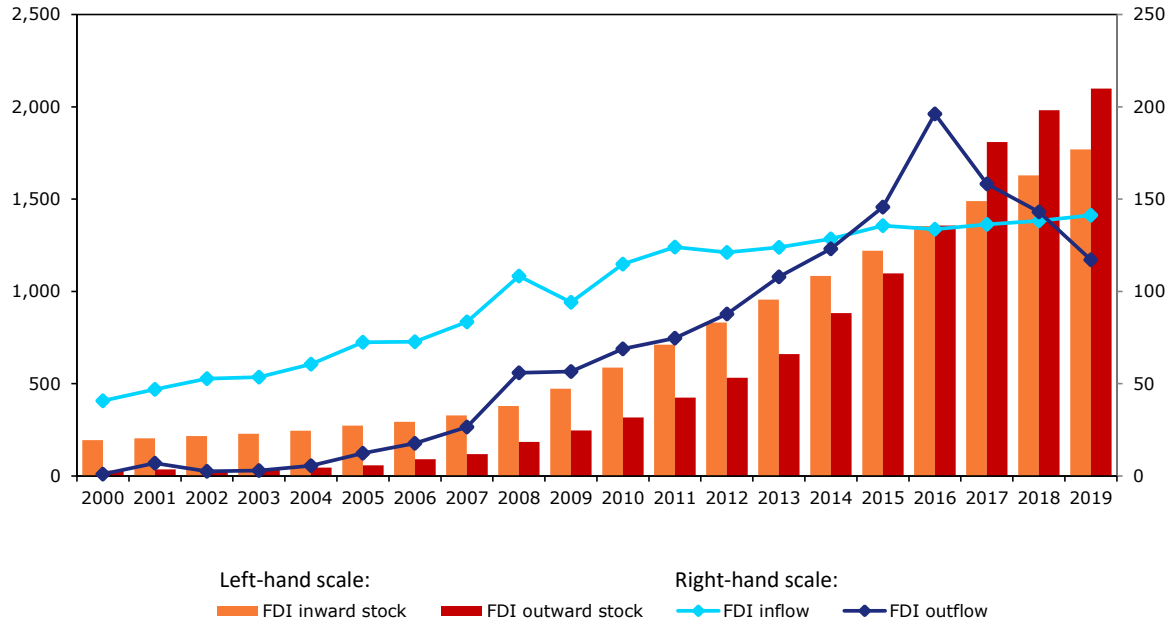
1.45. Foreign investment into China continued to grow between 2016 and 2019, although at a much slower pace than in previous periods (Chart 1.3). China's inward FDI stock amounted to USD 1.8 trillion in 2019. Outward FDI, after lagging behind for many years, overtook inward FDI in 2015. It peaked in 2016 and has fallen sharply every year since. The total stock of China's outward FDI amounted to USD 2.1 trillion in 2019.

1.46. Hong Kong, China is by far the most important source for FDI into China (Table 1.5). Other important sources include Singapore, the Republic of Korea, the British Virgin Islands, Japan, and the United States.

1.47. The manufacturing sector remains by far the largest recipient of FDI into China, followed by real estate and leasing and business services (Table 1.6). Sectors such as agriculture, mining, and construction are of limited importance for FDI.

Chart 1.3 Foreign direct investment, 2000-19

(USD billion)



Source: UNCTAD, *World Investment Report 2020*. Viewed at: https://unctad.org/en/Pages/DIAE/World%20Investment%20Report/Annex-Tables.aspx.

Table 1.5 Inward foreign direct investment by source, 2015-19

(USD billion)

	2015	2016	2017	2018	2019	
						% of total FDI
Total	**126.27**	**126.00**	**131.04**	**134.97**	**138.14**	
Hong Kong, China	86.39	81.47	94.51	89.92	96.30	69.7
Singapore	6.90	6.05	4.76	5.21	7.59	5.5
Korea, Republic of	3.20	4.75	3.67	4.67	5.54	4.0
British Virgin Islands	7.39	6.74	3.99	4.71	4.96	3.6
Japan	3.20	4.75	3.26	3.80	3.72	2.7
United States	2.09	3.10	2.65	2.69	2.69	1.9
Cayman Islands	2.09	3.10	2.18	4.07	2.56	1.9
Netherlands	0.75	0.56	2.17	1.27	1.80	1.3
Macao, China	0.89	0.82	0.64	1.28	1.74	1.3
Germany	1.44	1.39	1.54	3.67	1.66	1.2
Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei)	1.56	2.39	1.77	1.39	1.59	1.1
Samoa	7.63	8.08	1.23	1.55	1.19	0.9
United Kingdom	0.00	0.00	1.00	2.48	0.86	0.6
France	1.22	0.87	0.79	1.01	0.79	0.6
Switzerland	0.22	0.55	0.46	0.60	0.64	0.5
Bermuda	0.71	0.46	1.34	2.17	0.48	0.4
Other	0.60	0.96	5.06	4.47	4.03	2.9

Note: Figures refer to foreign capital actually used.

Source: WTO Secretariat calculations based on data from the National Bureau of Statistics. Viewed at: https://data.stats.gov.cn/english/easyquery.htm?cn=C01.

Table 1.6 Inward foreign direct investment by main sectors, 2015-19

(USD billion)

	2015	2016	2017	2018	2019	
						% of total FDI
Total	**126.27**	**126.00**	**131.04**	**134.97**	**138.14**	**100.0**
Agriculture, forestry and fishery	1.53	1.90	1.07	0.80	0.56	0.4
Mining	0.24	0.10	1.30	1.23	2.19	1.6
Manufacturing	39.54	35.49	33.51	41.17	35.37	25.6
Electricity, gas and water	2.25	2.15	3.52	4.42	3.52	2.6
Construction	1.56	2.48	2.62	1.49	1.22	0.9
Wholesale and retail trade	12.02	15.87	11.48	9.77	9.05	6.6
Transport, storage and post	4.19	5.09	5.59	4.73	4.53	3.3
Hotels and catering service	0.43	0.37	0.42	0.90	0.97	0.7
Information transmission, computer and software	3.84	8.44	20.92	11.66	14.68	10.6
Financial intermediation	14.97	10.29	7.92	8.70	7.13	5.2
Real estate	28.99	19.66	16.86	22.47	23.47	17.0
Leasing and business services	10.05	16.13	16.74	18.87	22.07	16.0
Scientific research, technical services and geological prospecting	4.53	6.52	6.84	6.81	11.17	8.1
Water conservancy, environment and public facilities	0.43	0.42	0.57	0.47	0.52	0.4
Other	1.68	1.11	1.68	1.46	1.67	1.2

Note: Figures refer to foreign capital actually used.

Source: WTO Secretariat calculations based on data from the National Bureau of Statistics. Viewed at: https://data.stats.gov.cn/english/easyquery.htm?cn=C01.

1.48. China continues to be a significant investor abroad, although annual outward flows have dropped considerably since 2017. The most important destinations are Hong Kong, China; the British Virgin Islands; Singapore; the United States; and Indonesia (Table 1.7). Projects under the BRI play an important role for outward investment. The most important sectors for China's FDI abroad are leasing and business services, manufacturing, financial intermediation, and wholesale and retail trade (Table 1.8).

1.49. According to the authorities, investment under the BRI accounts for some 13% of China's recent outward FDI. It accounts for a wide geographical dispersion of the FDI stock. Investments are mostly concentrated in Central and South East Asia, mainly with a focus on infrastructure projects.

Table 1.7 Outward FDI by main destination, 2015-19

(USD billion)

	2015	2016	2017	2018	2019	
						% of total FDI
Total	**145.67**	**196.15**	**158.29**	**143.04**	**136.91**	**100.0**
Hong Kong, China	89.79	114.23	91.15	86.87	90.55	66.1
British Virgin Islands	1.85	12.29	19.30	7.15	8.68	6.3
Singapore	10.45	3.17	6.32	6.41	4.83	3.5
United States	8.03	16.98	6.43	7.48	3.81	2.8
Indonesia	1.45	1.46	1.68	1.86	2.22	1.6
Australia	3.40	4.19	4.24	1.99	2.09	1.5
Viet Nam	0.56	1.28	0.76	1.15	1.65	1.2
Germany	0.41	2.38	2.72	1.47	1.46	1.1
Thailand	0.41	1.12	1.06	0.74	1.37	1.0
United Kingdom	1.85	1.48	2.07	1.03	1.10	0.8
Japan	0.24	0.34	0.44	0.47	0.67	0.5
Macao, China	1.08	0.82	-1.02	0.81	0.59	0.4
Korea, Republic of	1.32	1.15	0.66	1.03	0.56	0.4
Cayman Islands	10.21	13.52	-6.61	5.47	-4.36	-3.2
Other	14.61	21.73	29.09	19.11	21.68	15.8

Source: WTO Secretariat calculations based on data from the National Bureau of Statistics. Viewed at: https://data.stats.gov.cn/english/easyquery.htm?cn=C01.

Table 1.8 Outward FDI by main sectors, 2015-19

(USD billion)

	2015	2016	2017	2018	2019	
						% of total FDI
Total	**145.67**	**196.15**	**158.29**	**143.04**	**136.91**	**100.0**
Agriculture, forestry and fishery	2.57	3.29	2.51	2.56	2.44	1.8
Mining	11.25	1.93	-3.70	4.63	5.13	3.7
Manufacturing	19.99	29.05	29.51	19.11	20.24	14.8
Electricity, gas and water	2.14	3.54	2.34	4.70	3.87	2.8
Construction	3.74	4.39	6.53	3.62	3.78	2.8
Wholesale and retail trade	19.22	20.89	26.31	12.24	19.47	14.2
Transport, storage and post	2.73	1.68	5.47	5.16	3.88	2.8
Hotels and catering service	0.72	1.63	-0.19	1.35	0.60	0.4
Information transmission, computer and software	6.82	18.66	4.43	5.63	5.48	4.0
Financial intermediation	24.25	14.92	18.79	21.72	19.95	14.6
Real estate	7.79	15.25	6.80	3.07	3.42	2.5
Leasing and business services	36.26	65.78	54.27	50.78	41.88	30.6
Scientific research, technical services and geological prospecting	3.35	4.24	2.39	3.80	3.43	2.5
Water conservancy, environment and public facilities	1.37	0.85	0.22	0.18	0.27	0.2
Other	3.49	10.06	2.62	4.49	3.07	2.2

Source: WTO Secretariat calculations based on data from the National Bureau of Statistics. Viewed at: https://data.stats.gov.cn/english/easyquery.htm?cn=C01.

2 TRADE AND INVESTMENT REGIMES

2.1 General Framework

2.1. China's general legal and institutional framework has remained largely unchanged since the previous Review.[1] China's legislature comprises the National People's Congress (NPC) and its Standing Committee.[2] The State Council (the Central Government) is the executive body and the highest organ of state administration.[3] China's judicial system consists of the Supreme People's Court, local People's Courts at different levels, and special courts dealing with, *inter alia*, intellectual property[4], military, financial, and maritime issues.

2.2. During the review period, China proceeded with the reform of its judicial system, which was initiated in 1999 through a Five-Year Reform Program for People's Courts. The fifth cycle of such reforms was launched in May 2019 to cover the period 2019-23. The main objectives include the enforcement of judicial accountability. In this regard, in December 2018, the Supreme People's Court promulgated the Opinions on the Further and Full Implementation of the Judicial Accountability System; in addition, the Opinions on Deepening the Comprehensive Supportive Reforms of the Judicial Accountability System were issued in July 2020. They aim to enhance the mechanisms of trial supervision and management and the uniform application of law, as well as improving the supportive mechanism for judicial personnel.

2.3. Steps were also taken in recent years to further modernize the judicial specialization for issues related to e-commerce. In addition to the Hangzhou Internet Court, which was established on 18 August 2017, the Beijing Internet Court and the Guangzhou Internet Court were established on 9 September 2018 and 28 September 2018, respectively. They aim to handle 11 types of Internet-related cases, including contracts for financial loans, the purchase of goods, services, online disputes about torts, and copyright infringements. The authorities state that the three Internet Courts had dealt with 248,258 Internet-related cases by end-December 2020.

2.4. In the hierarchy of China's domestic legislation, the Constitution prevails over any other law or statute, followed by laws and administrative regulations (issued by the State Council); local, autonomous, and separate regulations; departmental rules (enacted by ministries at the Central Government level or bodies directly under the State Council exercising regulatory functions); and local rules (enacted by the People's Government at the provincial, autonomous region, or municipal level directly under the State Council and the People's Government of cities with districts or autonomous prefectures).

2.5. In order to regulate actions taken by various public bodies, including local governments, and prevent the introduction of policy measures that eliminate or restrict competition, on 1 June 2016, the State Council published the Opinions on Establishing a Fair Competition Review System in the Development of the Market System in an effort to restrain regional authorities from adopting policies and practices that may impede competition. According to the authorities, since the establishment of the system, all regions and departments have reviewed new policy measures concerning the economic activities of market entities in accordance with the requirements.

2.6. In principle, all trade-related rules formulated by the authorities at all levels must comply with international trade agreements to which China is a party, including the Marrakesh Agreement

[1] WTO document WT/TPR/S/375/Rev.1, 14 September 2018.

[2] The NPC meets in session once a year. The deputies elect the members of its Standing Committee, which has the power to interpret the Constitution and other laws, and enact and amend laws, except for those enacted by the NPC. When the NPC is not in session, the Standing Committee may also exercise the following functions: amend laws enacted by the NPC; review and approve adjustments to the national economic and social development plans or to the state budget; and appoint Ministers. The NPC elects the President and the Vice President of China. The President promulgates the legislation adopted by the NPC or its Standing Committee. In accordance with the Constitution, the President, in pursuance of the decisions of the Standing Committee of the NPC, ratifies or abrogates treaties and important agreements concluded with foreign States. The President appoints the Premier and other members of the State Council, i.e. Vice Premiers, State Councillors, Ministers, the Auditor-General, and the Secretary-General, in line with the decisions of the NPC and its Standing Committee.

[3] Led by the Premier, the State Council is composed of Vice Premiers, State Councillors, Ministers in charge of ministries and Ministers in charge of commissions, the Auditor-General, and the Secretary-General.

[4] Intellectual property courts are established in Beijing, Shanghai, Guangzhou, and Haikou.

Establishing the World Trade Organization and its follow-up agreements, China's accession protocol, and China's Working Party Report.[5] Draft laws and regulations at the ministerial and departmental levels are published online in Chinese for not less than a 30-day period for public comments[6], except when, as per a decision of the State Council, laws and regulations need to be kept confidential. Public comments can be submitted through the Ministry of Justice website.[7] The China Foreign Trade and Cooperation Economic Gazette, issued by the Ministry of Commerce (MOFCOM), publishes China's trade-related laws, regulations, and rules.[8]

2.7. Administrative decisions may be appealed within a statutory time-limit. Appeals can be made to a department at higher level than the one that made the decision. Several independent administrative reconsideration commissions are currently established on a pilot basis.

2.8. Pursuant to the Regulations on the Implementation of the Foreign Investment Law (FIL), MOFCOM established a Complaint Coordination Mechanism for Foreign-invested Enterprises (FIEs) within relevant ministries or departments of the State Council. It coordinates and facilitates the work related to complaints of FIEs at the Central Government level, and it guides and supervises local authorities in their handling of complaints. The Measures for Complaints by Foreign-invested Enterprises further provide that MOFCOM shall be responsible for handling issues in three categories: (i) complaints related to the administrative actions of relevant departments of the State Council, provincial People's Governments, and their staff; (ii) proposals to improve relevant policies and measures by the departments of the State Council and provincial People's Governments; and (iii) complaints with a significant national or international bearing, for which MOFCOM established the National Complaint Centre for FIEs (temporarily administered by the Investment Promotion Agency).

2.2 Trade Policy Framework and Objectives

2.2.1 Institutional framework

2.9. The National Development and Reform Commission (NDRC) oversees China's macroeconomic planning. It is responsible for formulating and implementing strategies for national economic and social development and coordinating major economic operations.[9] The NDRC is also responsible for conducting research and setting objectives and policies on economic reforms, such as those included in the Five-Year Plans for Economic and Social Development. Each year, it submits a plan for national economic and social development to the NPC on behalf of the State Council.

2.10. MOFCOM is mainly responsible for the coordination and implementation of trade-related investment and economic cooperation policies. In particular, regarding domestic and international trade, foreign investment, and international economic cooperation, its responsibilities include: (i) formulating strategies, guidelines, and policies; and (ii) drafting laws, regulations, and departmental rules.[10] Other Ministries involved in trade policy formulation and implementation include those in charge of: agriculture, ecology and environment, finance, industry and information technology, and transportation.

2.11. On 7 March 2018, the NPC approved the Plan to Deepen Reforms of Party and State Institutions. The Plan sought to reorganize existing ministries and agencies that comprise the State Council. In the context of the restructuring, some functions of MOFCOM were transferred to other agencies. For example, the newly established State Administration for Market Regulation (SAMR) assumes responsibility for anti-monopoly law enforcement from the NDRC, MOFCOM, and the former State Administration for Industry and Commerce (SAIC). The SAMR also took over the functions of the Office of the Anti-Monopoly Commission of the State Council and the National Leading Group on

[5] State Council, Guo Ban Fa No. 29, 2014, Notice of the General Office of the State Council on Further Enhancing the Compliance of Trade Policies.

[6] In accordance with Regulations on Procedures of the Rules Formulating, and on the Procedures for the Formulation of Administrative Regulations (amended in December 2017).

[7] Ministry of Justice. Viewed at: http://www.chinalaw.gov.cn.

[8] *China Foreign Trade and Cooperation Economic Gazette*, No. 46, 2015. Viewed at: http://english.mofcom.gov.cn/article/policyrelease/gazette/201509/20150901125925.shtml.

[9] NDRC, *Main Functions of the NDRC*, 17 December 2008. Viewed at: https://en.ndrc.gov.cn/mfndrc_8237/200812/t20081217_1193980.html.

[10] MOFCOM, *Mission*, 7 December 2010. Viewed at: http://english.mofcom.gov.cn/column/mission2010.shtml.

the Fight against IPR Infringement and Counterfeiting, as well as MOFCOM's law enforcement functions concerning the Anti-Monopoly Law. MOFCOM's responsibilities with respect to foreign aid were assigned to the China International Development Cooperation Agency, and its function of administering sugar reserves is now assigned to the National Food and Strategic Reserves Administration. The CBIRC also took over MOFCOM's previous functions of formulating business operation and regulatory rules for pawn shops, financial leasing companies, and commercial factoring enterprises. The supervisory structure of financial services also underwent a significant change during the review period (Section 4.4.1).

2.2.2 Trade policy formulation and objectives

2.12. China's trade policy objectives have remained largely unchanged since the previous Review; China seeks to further liberalize its trade and investment regime to reshape its economy. The 13th Five-Year Plan for Economic and Social Development (2016-20), which was issued in December 2016, lays out objectives to expand trade and increase outbound and inbound investment.[11] Reflecting China's broader industrial and economic goals, the Plan aims to widen market access for foreign investment by, *inter alia,* loosening foreign investment restrictions in various sectors such as manufacturing and finance, as recently reflected in the negative lists for foreign investments (Section 2.4). The 14th Five-Year Plan for Economic and Social Development (2021-25) was adopted by the National People's Congress on 11 March 2021.

2.13. Trade policy objectives are also outlined in sectoral and provincial Five-Year Plans and various Administrative Measures (such as negative lists and catalogues) that provide guidance to the implementation of the overall policies, such as on products that are subject to licences or export duties; industries that can benefit from preferential treatment; and sectors in which investment is encouraged, permitted, or restricted.

2.14. The Government continues to promote its vision to expand international trade, and outward direct investment is considered one way to promote trade. Consequently, the Government continues to proceed with the Belt and Road Initiative (BRI), which aims to, *inter alia*, promote intergovernmental cooperation; improve roads, energy, and information infrastructure; remove trade and investment barriers; deepen financial cooperation; and promote cultural and educational exchanges.

2.15. In November 2019, the State Council issued the Guiding Opinions on Promoting High-quality Trade Development, which reiterate the authorities' intention to promote high-quality trade development through, *inter alia*, innovation in science and technology, improved trade structure, and two-way investments.

2.16. The Pilot Free Trade Zones (PFTZs) programme was adopted as a testing ground for nationwide investment liberalization and streamlined regulations; the authorities consider that the PFTZs play an important role in optimizing China's business environment, and serve to stimulate open development and cooperation of trade and investment. The PFTZs offer preferential policies for the import, handling, manufacturing, and exporting of goods, via, *inter alia*, tax incentives, free flow and exchange of capital, and fast-tracked procedures for investment.

2.17. Since 2013, China has established an increasing number of PFTZs. In 2020, three PFTZs were established in Beijing, Anhui, and Hunan, while the area of the Zhejiang PFTZs was expanded. This brought the total to 21, including the existing 18 PFTZs (in Chongqing, Fujian, Guangdong, Guangxi, Hainan, Hebei, Heilongjiang, Henan, Hubei, Jiangsu, Liaoning, Shaanxi, Shandong, Shanghai, Sichuan, Tianjin, Yunnan and Zhejiang).

2.18. In pursuing its trade policy objectives, China recognizes the leading role of the multilateral trading system (MTS), trade and investment liberalization and facilitation, and the expansion of its regional trade agreements (RTAs), which the authorities view as a complement to the MTS.[12]

[11] NDRC, *The 13th Five-Year Plan for Economic and Social Development of the People's Republic of China (2016-2020)*. Viewed at: https://en.ndrc.gov.cn/policyrelease_8233/201612/P020191101482242850325.pdf.

[12] WTO document WT/TPR/G/375, 13 July 2018.

2.19. During the review period, as reflected in several measures, China attached great importance to addressing climate change issues. The authorities indicate that the country implements an active national strategy on climate change and has achieved positive results through a series of measures, such as industrial restructuring, energy structure optimization, energy conservation and efficiency improvement, the establishment of a carbon emissions trading market, and expanding the forest carbon sink. They also expect that China will reach a peak in carbon dioxide emissions before 2030 and carbon neutrality before 2060.

2.3 Trade Agreements and Arrangements

2.3.1 WTO

2.20. China has been a WTO Member since 11 December 2001. At the Trade Policy Review Body, its trade policies have been reviewed seven times; the previous Review took place in July 2018. China is an observer to the Committee on Government Procurement and has been negotiating its accession to the Plurilateral Agreement on Government Procurement (GPA) since 2007. On 21 October 2019, China introduced to the parties to the Agreement its sixth revised market access offer in the context of its negotiations to join the GPA (Section 3.3.6). China is an observer to the Plurilateral Agreement on Trade in Civil Aircraft. China is also a participant in the Information Technology Agreement.

2.21. The authorities state that China attaches great importance to and supports the work related to e-commerce within the WTO framework; it joined the Friends of e-Commerce for Development (FED) in September 2017. China also participates in the Joint Statement Initiatives on electronic commerce; investment facilitation for development; micro, small, and medium-sized enterprises; and domestic regulation in services.

2.22. During the review period, China submitted various notifications to the WTO (Table A2.1). Nevertheless, some notifications, including those on state trading enterprises and domestic support, remain outstanding. According to the authorities, China is preparing new notifications.

2.23. Under the WTO dispute settlement system, between 2018 and 13 April 2021, China was involved in 10 disputes as a complainant and 11 as a respondent (Table A2.2). China was involved as a third party in 38 disputes brought to the Dispute Settlement Body during the same period.

2.3.2 Regional and preferential agreements

2.24. The authorities state that China is committed to creating a global network of RTAs to further consolidate economic and trade ties between the country and its trading partners and reinforce two-way trade and investment; such efforts have accelerated the pace to open relevant industries and enhanced the competitiveness of their respective enterprises. China considers its network of RTAs as means to complement the MTS and further promote free trade rules.

2.25. By the end of February 2021, China had signed 19 RTAs with 26 countries and territories.[13] On 12 November 2018, the Protocol to Update the Free Trade Agreement between China and Singapore was signed; it entered into force on 16 October 2019. The Protocol revised the original agreement in six areas (i.e. the rules of origin, customs procedures and trade facilitation, trade remedies, trade in services, investment, and economic cooperation); furthermore, it added e-commerce, competition policy, and environment to the Agreement.

2.26. On 28 April 2019, the Protocol to Update the Free Trade Agreement between China and Pakistan was signed; it entered into force on 1 December 2019. It made revisions to the original agreement in terms of, *inter alia*, market access and the schedule of tariff concessions of trade in goods, rules of origin, trade remedy, and investment; it also added a chapter on customs cooperation. The tariff reduction arrangement was implemented on 1 January 2020. It is set to increase the proportion of bilateral duty-free lines to 75% (from the original 35%). Both sides immediately eliminated tariffs on 45% of the tariff lines, and China committed to gradually eliminate

[13] MOFCOM, *China FTA Network*. Viewed at: http://fta.mofcom.gov.cn/list/rcepen/enrcepnews/1/encateinfo.html.

tariffs on 15% of the tariff lines in 5 years and another 15% in 10 years. In addition, tariff rates were cut by 20% on other products that account for 5% of China's tariff lines.

2.27. The China-Mauritius Free Trade Agreement was signed on 17 October 2019; it entered into force on 1 January 2021. It covers topics such as trade in goods, trade in services, investment, and economic cooperation. China and Mauritius pledged to eventually reach zero tariffs on 96.3% and 94.2% of traded items, respectively. As for China, the duties applicable on 87.6% of these tariff lines will be eliminated with immediate effect upon the entry into force, while the remaining tariffs will be eliminated over a seven-year period. The Agreement also covers more than 40 services sectors, including financial, telecommunications, ICT, professional, construction, and health. The two sides are committed to liberalize more than 100 subsectors.[14]

2.28. The China-Cambodia Free Trade Agreement was signed on 12 October 2020. It has not yet entered into force. The Agreement includes provisions on trade in goods, rules of origin, customs procedures and trade facilitation, sanitary and phytosanitary measures, trade in services, investment cooperation, cooperation under the BRI, e-commerce, economic and technical cooperation, transparency, administrative and institutional provisions, and dispute settlement. It has annexes on Schedules of Specific Commitments on trade in services, in which the two sides are committed to liberalize some of their services sectors. China and Cambodia pledged to eventually eliminate tariffs on 97.53% and 90% of the tariff lines, respectively. In particular, the duties applicable on 97.44% of tariff lines from China, and 87.5% of tariff lines from Cambodia, will be eliminated upon the entry into force of the Agreement, while the remaining tariffs on 0.09% and 2.5% of the tariff lines will be eliminated over 5 to 20 years.

2.29. On 15 November 2020, China and 14 other countries signed the Regional Comprehensive Economic Partnership (RCEP) Agreement.[15] The Agreement has provisions on trade in goods; rules of origin; customs procedures and trade facilitation; sanitary and phytosanitary measures; standards, technical regulations, and conformity assessment procedures; trade remedies; trade in services; temporary movement of natural persons; investment; intellectual property; e-commerce; competition; small and medium-sized enterprises (SMEs); economic and technical cooperation; government procurement; institutional provisions; and dispute settlement. It has four market access annexes (schedules of tariff commitments, schedules of specific commitments for services, schedules of reservations and non-conforming measures for services and investment, and schedules of specific commitments on temporary movement of natural persons).[16] In general, tariffs on 90% of tariff lines will be eliminated; regarding trade in services, some participating signatories made commitments in over 100 sectors/subsectors. In addition, participating countries adopt a negative list approach to make commitments on investment in non-services sectors. The RCEP Agreement will take effect 60 days after its ratification by at least six Association of Southeast Asian Nations (ASEAN) and three non-ASEAN signatories.

2.30. On 26 January 2021, the Protocol to Upgrade the Free Trade Agreement between China and New Zealand was signed; it has not yet entered into force. The Upgrade Protocol revised the original agreement in five areas (rules of origin, customs procedures and trade facilitation, technical barriers to trade, trade in services, and cooperation); furthermore, it added e-commerce, government procurement, competition policy, and environment and trade chapters to the Agreement.

2.31. During the review period, China was negotiating the following agreements: the China-Japan-Republic of Korea FTA, the China-Gulf Co-operation Council FTA, the China-Sri Lanka FTA, the China-Israel FTA, the China-Norway FTA, the China-Republic of Moldova FTA, the China-Panama FTA, the China-Palestine FTA, and the Agreement on Trade in Services and Investments between China and Belarus. In addition, the country is involved in subsequent or upgrading negotiations with the Republic of Korea, Peru, and Singapore.

[14] MOFCOM, *China FTA Network: China and Mauritius Sign Free Trade Agreement*, 18 October 2019. Viewed at: http://fta.mofcom.gov.cn/enarticle/chinamauritiusen/enmauritius/201910/41658_1.html.

[15] MOFCOM, *Regional Comprehensive Economic Partnership (RCEP)*. Viewed at: http://fta.mofcom.gov.cn/topic/enperu_recp.shtml.

[16] MOFCOM, "The Leading Official of the Department of International Trade and Economic Affairs of MOFCOM Expounded on the Regional Comprehensive Economic Partnership (RCEP) Agreement (I)", press release, 16 November 2020. Viewed at: http://english.mofcom.gov.cn/article/newsrelease/policyreleasing/202011/20201103017259.shtml.

2.32. The authorities indicate that on 11 December 2018, a Memorandum of Understanding between MOFCOM and the Ministry of the Economic Development of the Russian Federation was signed on a cooperation and development plan for the Russian Federation's Far East Region[17], a policy document that aims to guide cooperation between the two sides and serve as a guiding document for Chinese enterprises to invest in the region.

2.33. On 15 January 2020, China and the United States signed the China-United States Phase 1 Economic and Trade Agreement.[18] It contains provisions related to, *inter alia*, intellectual property, technology transfer, trade in food and agricultural products, and financial services.

2.3.3 Other agreements and arrangements

2.34. China continues to grant unilateral preferences to least developed countries (LDCs). According to the authorities, since 2015, it has implemented zero tariffs on 97% of taxable items for LDCs that have established diplomatic relations with China and completed the exchange of diplomatic notes. As at end-August 2020, 39 LDCs had been given unilateral preferences. Bangladesh, Burkina Faso, and Kiribati were added to the list of beneficiaries on 1 July 2020, 1 September 2018, and 1 August 2020, respectively. Since 1 January 2020, Equatorial Guinea has been excluded from the list, as it "graduated" from the LDC category in June 2017.

2.4 Investment Regime

2.4.1 Regulatory framework and market access

2.35. On 15 March 2019, China adopted the FIL, which aims to improve the business environment for foreign investors and ensure that FIEs participate in market competition on an equal basis with their domestic counterparts, in accordance with the law. On 31 December 2019, the State Council promulgated the Implementing Regulations of the FIL. Both the FIL and its Implementing Regulations entered into force on 1 January 2020. Subsequently, the previous laws and implementing regulations for foreign investors and FIEs, i.e. the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Cooperative Joint Ventures, and the Law on Foreign-Invested Enterprises, as well as their administrative regulations and rules, were repealed.

2.36. The FIL grants national treatment to foreign investments in industries outside the Special Administrative Measures on Access to Foreign Investment (National Negative List) through the "pre-establishment national treatment and negative list management system", under which foreign investors and their investments are to be granted treatment no less favourable than that granted to domestic investors and their investments at the establishment stage (FIL, Article 4). Article 28 of the FIL stipulates that "for industries outside of the National Negative List, the investment administration shall be conducted under the principle of equal treatment to domestic and foreign investment". Furthermore, the FIL's Implementing Regulations require that FIEs and wholly Chinese-invested enterprises be equally treated in such aspects as government funding arrangements, land supply, tax and fee reduction and exemption, qualification licensing, development of standards, project applications, and human resource policies.

2.37. The authorities state that the system was developed after being implemented in PFTZs and was expanded nationwide in 2016, followed by the adoption of the National Negative List in 2017.

2.38. The FIL and its Implementing Regulations also accord domestic companies and FIEs equal treatment regarding access to government funding arrangements, land supply, tax abatement or exemption, qualification licensing, standard setting, project application, or human resource policies. In addition, FIEs are accorded equal treatment under the FIL in, *inter alia*, participation in government procurement, protection of intellectual property, and licensing formalities. Article 10 of the FIL provides that foreign companies may comment on new legislation and administrative rules concerning foreign investment.

2.39. Various investment protection measures exist under the FIL. In a case where the State needs to expropriate a foreign investor to protect the public interest, such expropriation shall be made

[17] Sino-Russian Cooperation and Development Plan in Russia's Far East Region (2018-2024).

pursuant to statutory procedures and in a non-discriminatory manner, with compensation made based on the market value of the expropriated investment. Local governments must comply with policy commitments[19] made to, and perform various contracts concluded with, foreign investors in accordance with the law. If it becomes necessary to adjust those commitments or agreements due to the public interest, foreign investors shall be compensated for losses incurred.

2.40. With respect to cross-border remittances, in accordance with the FIL, a foreign investor may freely transfer inward and outward, in CNY or foreign currencies, *inter alia*, its capital contributions, profit, capital gains, proceeds from disposition of assets, royalties from IPRs, lawfully obtained compensation or indemnity amounts, and proceeds from liquidation. Under the FIL, no entity or individual shall illegally restrict, *inter alia*, the type of currencies, amount, or frequency of such remittances.

2.41. Under the FIL, legal liability shall be pursued in case of any IPR infringement. In addition, the FIL prohibits government officials from forcing foreign investors to transfer their technology by administrative means; it also requires the authorities to keep confidential any trade secret of foreign investors that they may become aware of during the performance of their duties.[20]

2.42. Under the FIL, FDI in China is also guided by the National Negative List and the Catalogue of Encouraged Industries for Foreign Investment (Encouraged FDI Catalogue), which lists industries where FDI is encouraged. Industries that are listed in the Encouraged FDI Catalogue are eligible for preferential measures, such as discounted land prices and tax incentives.

2.43. For restricted industries, foreign investors must meet the specific conditions, such as shareholding limits, stipulated by the National Negative List. Foreign investors might need prior approval from the Government to invest in restricted markets. For industries not on the National Negative List, foreign investors shall receive treatment equal to their domestic counterparts when investing.

2.44. In June 2018, the National Negative List was issued and the 2017 version of the Catalogue of Industries for Guiding Foreign Investment was repealed. Since then, the National Negative List has been revised every year. Compared with the 2017 version, the 2020 National Negative List introduced new opening-up measures in such industries as seeds, oil and gas, mineral resources, ship and aircraft manufacturing, infrastructure, finance, value-added telecommunications, and culture.

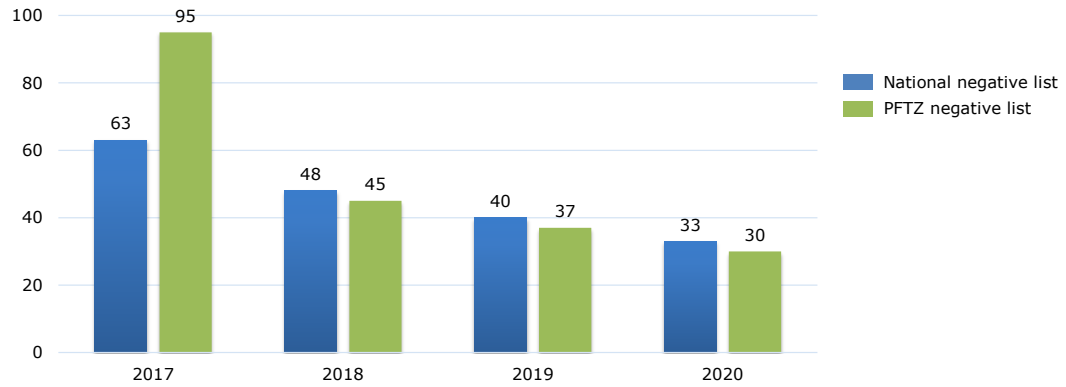
2.45. On 23 June 2020, the current version of the National Negative List was issued by the NDRC and MOFCOM to replace the 2019 version.[21] It further reduced the number of restrictive measures, which continues to decrease (from 63 in 2017 to 33 in 2020) (Chart 2.1). The sectors liberalized concern services, manufacturing, and agriculture. For example, in the financial sector, the caps on foreign ownership of securities companies, securities investment fund management companies, futures companies, and life insurance companies were lifted; in manufacturing, the restrictions on foreign investment in the smelting and processing of radioactive minerals, as well as on the production of nuclear fuel, were eliminated. In agriculture, the selection and breeding of new wheat varieties and the production of seeds are no longer required to be controlled by the domestic party. The main differences between the 2018, 2019, and 2020 National Negative Lists are highlighted in Box 2.1 and Box 2.2. Table A2.3 and Table A2.4 provide the lists of restricted and prohibited measures, respectively, in 2019 and/or 2020.

[19] Article 27 of the Implementing Regulations now defines "policy commitments" as any written commitment made by a local People's Government at any level or its relevant departments to foreign investors and FIEs with respect to supporting policies, preferential measures, and other means of facilitating foreign investment.

[20] The authorities state that the Government has never made, through existing laws, regulations, or policies, technology transfer a precondition for inward FDI, or issued any laws, regulations, or policies obligating investors to transfer their technologies.

[21] NDRC. Viewed at: https://www.ndrc.gov.cn/xxgk/zcfb/fzggwl/202006/P020200624549035288187.pdf.

Chart 2.1 Number of restrictive measures in China's Special Administrative Measures determining access to foreign investment, 2017-20



Source: Special Administrative Measures on Access to Foreign Investment and the Free Trade Zone Special Administrative Measures on Access to Foreign Investment (2017, 2018, 2019, and 2020 editions).

Box 2.1 Main changes in the 2019 National Negative List for foreign investments and the 2019 Encouraged Catalogue

Encouraged category

Activities added

Manufacturing

1. Electronic equipment such as 5G equipment (mobile phones, cars, drones, etc.) and their core components, etchers for integrated circuits, chip packing equipment, cloud computing equipment, etc.
2. Equipment such as industrial robots, key components of new energy vehicles (NEVs), smart vehicles, etc.
3. New raw materials for vaccines, cell therapy medicine, large-scale cell culture products, etc.
4. New materials for aerospace, monocrystalline silicon, and large wafers, etc.

Services

1. Development of cold-chain logistics, e-commerce, construction and operation of special railway lines, etc.
2. Artificial intelligence technology, clean production, carbon capture, and circular economy
3. Construction and management of ecological protection projects
4. Medical institution services
5. Tourism infrastructure construction, and tourism information services

Encouraged areas of investment

1. Yunnan, Hunan, and Inner Mongolia: Agriculture products processing, textile and clothing, furniture manufacturing, etc.
2. Anhui, Sichuan, and Shanxi: Integrated circuits, tablet computers, communication terminals, etc.
3. Henan and Hunan: Logistics storage facilities, car filling stations, etc.

Restricted category

Activities removed

Mining

1. Exploration and development of oil and natural gas (excluding coal-bed methane, oil sands, shale gas, etc.) – limited to joint venture and cooperation

Energy and water supply

1. Construction and operation of gas and heat in cities with a population of more than 500,000 – requirement that the Chinese party shall hold the controlling majority of shares

Telecommunications

1. Multi-party communication, store-and-forward, and call centre businesses – requirement that foreign investment should not exceed 50%

Transportation

1. Domestic shipping agent business – requirement that the Chinese party shall hold the controlling majority of shares

Culture, sports, and entertainment

1. Performance brokerage institutions – requirement that the Chinese party shall hold the controlling majority of shares
2. Construction and operation of movie theatres – requirement that the Chinese party shall hold the controlling majority of shares

Prohibited category

Activities removed
Mining
1. Exploration and mining of molybdenum, tin, antimony, and fluorite

Manufacturing
1. Production of Xuan paper and ink ingot

Environment
1. Exploitation of wildlife resources originally produced in China and protected by the country

Activities added
Mining
1. Exploration, mining and mineral processing of rare earths, radioactive minerals, and tungsten

Source: National Negative List (2019) and the Encouraged Catalogue (2019).

Box 2.2 Main changes in the 2020 National Negative List for foreign investments and the 2020 Encouraged Catalogue

Encouraged category

Activities added (National Catalogue)
Advanced manufacturing
1. High-end manufacturing – Integrated circuit packaging and test equipment manufacturing, laser projection equipment, ultra-high-definition TV (UHD TV), ventilator, extracorporeal membrane oxygenation, artificial intelligence auxiliar medical equipment, hardware manufacturing related to L3/L4/L5 autopilot, etc.
2. New materials – High-purity electron-grade hydrofluoric acid, hydrogen fluoride, special glass fibre, polarizing film, diffusion film, photomask, polyvinyl polyamine, high-performance fibre, environmental biofilm, new pesticides, and other items
3. Key components – High-pressure vacuum element, special valve, special bearing, special glass, wheel speed sensor, etc.
4. Environmental protection – Construction and equipment manufacturing of receiving and disposing facilities for marine pollutants at ports, construction and equipment manufacturing of emergency facilities for hazardous chemicals and oil products at ports, etc.
5. Pharmaceutical – Production of vaccines against AIDS, hepatitis C, cervical cancer, malaria, hand-foot-and-mouth disease, etc.

Production-oriented services
1. Research and development (R&D) and design – R&D of 5G mobile communication technology, block chain technology, sewage treatment facilities design, etc.
2. Commercial services – High-end equipment maintenance, transformation, and integration of digital production line, industrial service network platform, etc.
3. Modern logistics – Bulk commodity import and export distribution centre, community logistics and distribution system, etc.
4. Information services – Online education, online healthcare, online office, etc.

Activities added (Regional Catalogue)
1. Heilongjiang and Yunnan: Agricultural product processing, tourism development, etc.
2. Henan, Shaanxi, and Guangxi: Medical equipment, epidemic prevention and protection articles, active pharmaceutical ingredient (API) production, etc.
3. Hubei, Sichuan, and Chongqing: Semiconductor materials, graphene, industrial ceramics, etc.
4. Anhui and Shanxi: vocational school, etc.
5. Hainan: Yacht design and manufacturing, financial leasing services, R&D, design, and parts manufacturing of NEVs, etc.

Restricted category

Activities removed

Agriculture
1. Selection and breeding of new wheat varieties and production of seeds – requirement that the Chinese party shall hold the controlling majority of shares (a share ratio of not less than 34%)

Manufacturing
1. Manufacturing of commercial vehicles – requirement that foreign investment should not exceed 50%

Energy and water supply
1. Construction and operation of city water drainage network for a city with a population of more than 500,000 – requirement that the Chinese party shall hold the controlling majority of shares

Financial services
1. Foreign investment in life insurance, futures, and securities companies – requirement that foreign investment should not exceed 51%

Leasing and business services
1. Market research projects – limited to cooperative joint ventures

Health and social work
1. Investment in medical institutions – limited to cooperative joint ventures

Prohibited category

Activities removed

Scientific research and technical services
1. Investment in geodetic measurement, marine mapping, aerial photography mapping, ground movement measurement, administrative boundary mapping, topographic maps, maps of world's state regions, maps of national administrative regions, maps of provinces below administrative regions, national maps for educational purposes, local maps for educational purposes, true three-dimensional maps and electronic navigation maps, regional geological mapping, mineral geology, geophysics, geochemistry, hydrogeology, environmental geology, geological disasters, remote sensing geology and other mapping and measurements – prohibition lifted for mining right owners in carrying out their work within the scope of their mining rights

Transportation, warehousing, and mail services
1. Investment in air traffic control

Manufacturing
1. Investment in smelting and processing of radioactive minerals, as well as in production of nuclear fuel

Activities added

Transportation, warehousing, and mail services
1. Construction and operation of airport towers

Source: National Negative List (2020) and the Encouraged Catalogue (2020).

2.46. In 2018, the NDRC and MOFCOM jointly issued the Market Access Negative List, which was implemented nationwide. It listed industries that are prohibited or subject to licensing for investment and operation within China. According to the authorities, for industries not on the List, market participants of any kind may enter in a lawful and equal manner. It is a common negative list that applies equally to market participants of any kind, including state-owned and private enterprises, domestic-invested enterprises, and FIEs, as well as large enterprises and SMEs. It aims to further open up the economy and provide a level playing field for market participants.[22] The most recent version was issued in 2020; it contains 123 items (down from 151 in the 2018 version and 131 in the 2019 version) that are banned to non-state companies (both domestic and foreign-owned) or require government approval for entry. While the National Negative List applies only to foreign investors, the Market Access Negative List applies to both domestic and foreign investors. When investing in China, a foreign investor must first meet the requirements of the Negative List for the Access of Foreign Investments, and then those of the Market Access Negative List.

2.47. The 2020 edition of the Catalogue of Encouraged Industries for Foreign Investment, which replaced the 2019 edition, contains two sections: one national and one regional for 22 provinces and municipalities located in Central and Western China.[23] The national section of the 2020 Encouraged Catalogue contains 480 industries. Compared with the 2019 Catalogue, 65 items were added, and 50 were revised. The main changes in the 2019 and 2020 Encouraged Catalogues' national section are summarized in Box 2.1 and Box 2.2. The regional section of the 2020 Encouraged Catalogue contains 755 items, with 62 items added and 38 revised, compared with the 2019 edition.

2.48. FDI in the PFTZs is guided by a different negative list. The current one is the Special Administrative Measures for Foreign Investment Access to Pilot Free Trade Zones (2020 PFTZ Negative List). The 2020 PFTZ Negative List provides an outline of sectors in which foreign investment is restricted or prohibited in PFTZs. For all industries not listed in this document, foreign

[22] China started its Market Access Negative List Scheme, on a pilot basis, in March 2016 via the Market Access Negative List (Trial Edition). The pilot programme listed 328 items and covered the provinces of Shanghai, Guangdong, Tianjin, and Fujian. The trial was subsequently expanded in 2017 to cover 15 provinces.

[23] The regional section covers Anhui, Chongqing, Gansu, Guangxi, Guizhou, Heilongjiang, Hainan, Henan, Hubei, Hunan, Inner Mongolia, Jiangxi, Jilin, Liaoning, Ningxia, Qinghai, Shaanxi, Shanxi, Sichuan, Tibet, Xinjiang, and Yunnan.

investors will receive the same treatment as that for domestic companies with regard to the establishment and approval requirements and process.

2.49. The 2020 PFTZ Negative List, issued on 23 June 2020 and entered into force on 23 July 2020, reduced the number of restrictive measures from 95 in 2017 to 30 in 2020 (Chart 2.1).[24]

2.50. According to the authorities, some administrative regulations in the PFTZs were temporarily adjusted during the review period.[25] On 26 October 2019, the Standing Committee of the NPC authorized the State Council to temporarily adjust the application of relevant regulations of the Foreign Trade Law, the Road Traffic Safety Law, the Fire Prevention Law, the Food Safety Law, the Customs Law, and the Seed Law in PFTZs for three years. On 15 January 2020, the State Council decided to temporarily adjust and implement the relevant provisions of the Regulations on the Administration of Commercial Performances, the Regulations on the Administration of Foreign-Invested Telecommunications Enterprises, and the Regulations on the Administration of the Printing Industry in PFTZs (Guo Han No. 8, 2020). On 29 April 2020, the Standing Committee of the NPC authorized the State Council to temporarily adjust the application of the relevant provisions of the Land Administration Law, the Seed Law, and the Maritime Law in the China (Hainan) PFTZ until 31 December 2024. On 18 June 2020, the State Council decided to temporarily adjust and implement the Regulations on Customs Affairs Guarantees, the Regulations on Import and Export Tariffs, the Regulations on International Maritime Transportation, the Regulations on the Inspection of Ships and Offshore Facilities, and the Regulations on the Administration of Domestic Water Transport, until 31 December 2024.

2.51. Some of China's policies also reflect the country's efforts to phase out industries considered to be heavily polluting. These efforts are documented in the Catalogue for Guiding Industry Restructuring, which was last updated in October 2019, entered into force on 1 January 2020, and superseded the 2011 version.[26] The Catalogue consists of three categories – "encouraged", "restricted", and "obsolete" industries (industries that conform to the relevant laws, regulations, and policies of the State are "permitted", but are not listed in the Catalogue). It lists 821 encouraged items, 215 restricted items, and 441 items that will be phased out. Encouraged items shall be examined, approved, or filed in accordance with relevant regulations. Restricted items shall not be newly built, and the existing production capacity is allowed to be upgraded within a certain period of time. Items to be phased out shall be prohibited from investment and shall be phased out within the prescribed time-limit. In principle, this provision applies to all types of enterprises in China.

2.4.2 Examination and approval procedures

2.52. Foreign investments are not allowed in prohibited industries included in either the PFTZ or the National Negative List. Regarding foreign investment in a restricted industry included in either the PFTZ or the National Negative List, investors must comply with the required administrative measures, such as those for equity shareholding and qualifications for senior management officers. Under the regime, the market regulation authority shall conduct a formal examination of relevant application materials. Where a foreign investor or FIE invests in any sector not specified in either the PFTZ or the National Negative List, registration (record-filing) shall be conducted under the principle of equal treatment for domestic and foreign investments. For investments in a sector that is included in a negative list and subject to restrictions on the proportion of contribution and the nationality of the legal representative (primary person in charge), the registration shall be conducted in accordance with the law.

2.53. Until 2019, under the examination and approval system, foreign investors who invest in restricted areas could have their companies registered at the relevant market regulatory authority, only after being approved by MOFCOM or relevant industrial administrative departments. On 1 January 2020, the FIL and its Implementing Regulations removed the requirement of approval by the commercial and industrial authorities. Instead, new FIEs must be registered directly with the State Council's administration of market regulation, or the administrations for market regulation of

[24] The number of prohibited or restricted items in the PFTZ Negative List was 190 in 2013.

[25] Temporarily adjusted administrative regulations will be re-adjusted as appropriate based on the results of related reforms.

[26] State Council, *The National Development and Reform Commission Revised and Issued the "Industrial Structure Adjustment Guidance Catalogue (2019)*". Viewed at: http://www.gov.cn/xinwen/2019-11/06/content_5449193.htm.

the local People's Government authorized by the State Council in accordance with the FIL. Investment in industries and fields that require a licence in accordance with the law shall go through the relevant licensing procedures.

2.54. A foreign investor or FIE shall submit investment information to the commerce authority through the enterprise registration system. Investment information accessible via the interdepartmental information-sharing system shall not be required to be submitted separately to a different authority. The authorities state that the contents and scope of foreign investment information reporting shall be determined by the principle of real necessity.[27] For the submission of annual reports, instead of preparing three different reports, foreign investors or FIEs shall combine specific information required by MOFCOM and the State Administration of Foreign Exchange (SAFE) into a single report prepared for the SAMR.[28] The reporting system applies to FIEs and foreign-invested partnerships. The reporting requirements cover information with respect to the establishment of and changes to FIEs and their subsidiaries, as well as annual reporting. For the sectors not specified in the National Negative List, the registration requirements are the same as those for domestic enterprises. The business forms, structures, and rules of activities of companies shall be governed by the Company Law, the Partnership Law, and other laws. The FIL and the Implementing Regulations provide for an interim period of five years (until 31 December 2024) for FIEs to adapt to the new legal requirements and to implement relevant corporate changes.

2.55. Foreign-invested projects (FIPs) involving fixed assets investment are subject to the general filing system and limited approval system.[29] The authorities note that in February 2021, about 99% of FIPs were subject to the informative filing system. The system did not undergo a substantial change during the review period. Projects subject to verification (approval) are those listed in the Catalogue of Investment Projects Subject to Government Approval (2016), while those not included in it are subject to record-filing. The approval standards are based on several core criteria, including laws and regulations; the development plan; market access conditions; and industrial, land, and environmental policies. The authorities indicated that FIP applications are generally approved as long as they have no negative impact on national security, the environment, or public interest, and they comply with the relevant laws, regulations, and Catalogues, and the national development plans and industrial policies.

2.56. The Catalogue of Investment Projects Subject to Government Approval (2016) indicates in which instances FIPs are subject to approval and the authorities in charge of undertaking the procedure. Depending on the amount invested, approval is granted by various agencies listed in the Catalogue. Investment projects valued at USD 300 million or more in the restricted industries require approval from the NDRC, and they are submitted to the State Council for record-filing, provided that the total investment amounts to at least USD 2 billion. Provincial governments may approve restricted projects funded by foreign investment of up to USD 300 million.

2.57. The Catalogue also lists specific projects that require the approval of the Government for both domestic and foreign enterprises in such areas as agriculture, energy, transportation, information technology, raw materials, manufacturing of machinery, light manufacturing, high and new technology, and construction in urban areas.

2.58. In the case of projects involving "serious" overcapacity, the approval process is outlined in the Guiding Opinions on Resolving Serious Production Overcapacity Conflicts, Guo Fa No. 41, 2013. In accordance with requirements of existing policies, projects designed to expand capacity in any of these sectors are strictly prohibited.

2.59. Pursuant to the Circular on the Establishment of a System for Security Review of Acquisition of Domestic Enterprises by Foreign Investors, foreign investments in Chinese domestic enterprises might be subject to national security review if the FDI is deemed to have an influence on national security. It applies only to certain types of foreign M&A transactions. The Circular provides for the

[27] On 31 December 2019, MOFCOM and the SAMR issued the Measures for Reporting of Information on Foreign Investment, followed by the Notice on Matters Concerning the Reporting of Information on Foreign Investment, a supporting document released by MOFCOM. Both regulations took effect on 1 January 2020.

[28] On 16 December 2019, MOFCOM, the SAMR, and SAFE jointly issued the Notice on Completing Annual Reporting "Multiple Reports in One" Reform Related Work.

[29] As regulated by the Administrative Measures for the Approval and Record-Filing of Foreign-Invested Projects (FIPs), NDRC Order No. 12, 2014.

scope, content, working mechanism, and procedures for the M&A security review, and it creates a unified and standardized security review system for M&A activities conducted by foreign investors. The FIL and its Implementing Regulations contain provisions on national security review. In April 2019, the NDRC issued Announcement No. 4, 2019, clarifying that the application materials for the security review of foreign investment shall be received by the NDRC Government Affairs Service Hall. On 19 December 2020, the NDRC and MOFCOM issued the Measures for the Security Review of Foreign Investment, further clarifying the review authorities, scope, and procedures, which aimed at improving the standardization, accuracy, and transparency of security review. The Measures came into force on 18 January 2021.

2.60. The document containing Trial Measures for the National Security Review of Foreign Investment in Pilot Free Trade Zones (Guo Ban Fa No. 24, 2015) was published in 2015 to explore and improve the system for national security review of foreign investments.[30] It continues to govern the security review of foreign investment in PFTZs, and its scope of application is wider than the above-mentioned review system. Under the Measures, investments by foreign companies are reviewed if they involve businesses related to the military fields, key agricultural products, energy, infrastructure, transportation, culture, information technology, and equipment manufacturing that relate to national security. The review evaluates the influence of foreign investment on national security, economic stability, social order, morality, Internet safety, and the development of key technology concerning state security. A joint committee with representatives from the NDRC, MOFCOM, and other agencies is in charge of conducting the review.

2.61. The authorities state that the SAMR has been working with relevant ministries and agencies to shorten the time for the enterprise registration process and streamline the procedures. The SAMR has provided guidance for relevant local governmental departments in the construction of a unified online service platform for enterprise establishment. Enterprise registration, official seal making, invoice application, and purchase of tax control equipment can be completed online by filling out one single form. The authorities indicate that it takes less than five working days to establish an enterprise in China.

2.4.3 Incentives to foreign direct investments

2.62. China offers various tax incentives to FIEs to promote sectors deemed beneficial to the development of its economy. Most equipment imported to be used in projects in sectors listed in the Catalogue of Encouraged Industries may benefit from customs duty exemptions. Goods listed in the Catalogue of Products Imported for Foreign Investment Projects and Not Eligible for Tax Exemption and in the Catalogue of Imported Major Technical Equipment and Products Not Eligible for Tax Exemption (last revised in 2019 and entered into force on 1 January 2020) are excluded from this treatment.

2.63. In September 2018, the Ministry of Finance, the State Taxation Administration, the NDRC, and MOFCOM jointly issued the Notice on Widening the Scope of Application of Temporary Waiver for Withholding Income Tax for Overseas Investors Using Distributed Profits for Direct Investments (Cai Shui No. 102, 2018). According to the Notice, the scope of application of the favourable tax policy put in place in 2017 (Cai Shui No. 88, 2017) was expanded from encouraged FIPs to all non-prohibited FIPs and areas. Under the Notice, profits derived by foreign investors from resident companies in China are entitled to a tax deferral incentive and will not trigger withholding tax if the investors reinvest the profits in any non-prohibited FIPs.

2.64. Until 2019, projects in sectors listed in the Catalogue of Priority Industries for Foreign Investment in the Central-Western Regions of China (Central-Western Regions Catalogue) could benefit from customs duty exemptions on the importation of equipment within the scope stipulated by relevant policies. On 30 June 2019, the Government combined the encouraged category of the Catalogue for the Guidance of Foreign Investment Industries with the Central-Western Regions Catalogue, and accordingly issued a unified Catalogue of Encouraged Industries for Foreign Investment.

[30] State Council, *Notice of the General Office of the State Council on Issuing the Trial Measures for the National Security Review of Foreign Investment in Pilot Free Trade Zones*. Viewed at: http://www.gov.cn/zhengce/content/2015-04/20/content_9629.htm.

2.65. Enterprises may enjoy a reduced enterprise income tax rate of 15%, provided that they meet certain conditions and engage in encouraged industries in certain areas.

2.66. Foreign investment is encouraged in high-tech enterprises and R&D. When importing R&D equipment or procuring it domestically, "qualified" domestic and foreign R&D centres can apply for import duty, VAT, and consumption tax exemption, and a VAT refund for domestic equipment.[31]

2.67. The following region-specific preferential tax regimes (establishing reduced rates for the beneficiaries) were extended or initiated during the review period: the preferential policies for corporate income tax in the Large-scale Development in the Western Region[32]; the preferential income tax policy of Hainan Free Trade Port[33]; individual income tax incentives in the Guangdong-Hong Kong, China-Macao, China Greater Bay Area.[34] Furthermore, some tourism industry projects were added to the catalogue of preferential corporate income tax in Hengqin New Area.[35]

2.68. As a response to the COVID-19 pandemic, several relief measures were taken or announced for foreign investors. For example, all export tax rebates must be made in full without delay except for energy-intensive and polluting products. In addition, the measures provide that China will work to shorten the negative list on foreign investment and expand the catalogue of industries where foreign investment is encouraged, encourage financial institutions to increase foreign trade loans to cope with the impact of the pandemic, and encourage commercial insurance companies to offer short-term export credit insurance and lower premium rates. Under the measures, recent tax and fee relief policies designed to help companies in difficulty should equally apply to both domestic enterprises and FIEs.

2.69. On 9 March 2020, the NDRC issued the Circular on Further Deepening the Reform regarding Foreign Investment Projects Responding to the COVID-19 Pandemic (NDRC Foreign Investment Announcement No. 343, 2020). The Circular includes a number of measures, such as simplifying the approval procedures for foreign investment projects.[36]

2.4.4 Bilateral investment and tax agreements

2.70. As at end-June 2020, China had signed 107 agreements on avoidance of double taxation, 101 of which have come into effect.[37] In addition, China has tax arrangements with the Hong Kong Special Administrative Region (SAR) and the Macao SAR. Since January 2018, China has entered into agreements on avoidance of double taxation with Angola, Argentina, the Republic of the Congo, and Gabon, and has fully revised and signed new double taxation avoidance agreements with New Zealand, Italy, and Spain. On 30 December 2020, China and the European Union concluded, in principle, a Comprehensive Agreement on Investment; the text of the Agreement is yet to be finalized by both sides.

[31] Notice of the Ministry of Finance, the General Administration of Customs and State Taxation Administration on Import Tax Policies that Support Sci-Tech Innovation during the 13th Five-Year Plan Period (Cai Guan Shui No. 70, 2016) and Announcement of the Ministry of Finance, the Ministry of Commerce and State Taxation Administration on Continuing to Implement the VAT Policy on Equipment Purchased by R&D Institutions.

[32] Announcement on Continuing Corporate Income Tax Policies for Large-scale Development in the Western Region (MOF Announcement No. 23, 2020).

[33] Notice on Preferential Corporate Income Tax Policies for the Hainan Free Trade Port (Cai Shui [2020] No. 31) and Notice on Individual Income Tax Policies for High-end Talents in Short Supply in Hainan Free Trade Port (Cai Shui No. 32, 2020).

[34] Notice on Individual Income Tax Incentives for Guangdong-Hong Kong, China-Macao, China Greater Bay Area (Cai Shui No. 31, 2019).

[35] Notice on Adding Projects in the Tourism Industry to the Catalogue of Corporate Income Tax Preferences for Hengqin New Area (Cai Shui No. 63, 2019).

[36] State Council, *Notice of the National Development and Reform Commission on Responding to the Epidemic*. Viewed at: http://www.gov.cn/zhengce/zhengceku/2020-03/11/content_5490062.htm.

[37] State Taxation Administration, *Tax Policy and Tax Treaties*. Viewed at: http://www.chinatax.gov.cn/chinatax/n810341/n810770/index.html.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures Directly Affecting Imports

3.1.1 Customs procedures, valuation, and requirements

3.1. The General Administration of Customs (GACC) remains responsible for customs matters. In 2018, the GACC took on responsibilities relating to exit-entry inspection and quarantine previously held by the General Administration of Quality Inspection and Supervision (Section 3.3.3). China has 45 customs institutions directly under the GACC (including 42 customs areas, 678 subordinated customs institutions, and 132 subordinated customs offices).

3.2. Customs procedures are regulated by several pieces of legislation (Table 3.1). Recent changes to the Customs Law and the Regulations on Import and Export Duties removed the administrative licensing requirements for temporary imports and export.[1] Changes to various other customs-related regulations, including the Provisions on the Customs Administration of Declarations for the Import and Export of Goods and the Customs Rules on Administration of the Levying of Duties on Imports and Exports, were aimed at optimizing the business environment, reducing institutional transaction costs, simplifying customs procedures, and shortening the time for customs clearance.[2]

Table 3.1 China's legislation related to customs procedures

Legislation	Date of issuance/amendment
Customs Law	Decree No. 50 issued in 1987, and amended in 2000, 2013, 2016, and 2017
Regulations on Import and Export Duties	State Council Decree No. 392, adopted in 2003, and amended in 2011, 2013, 2016, and 2017
Provisions on the Customs Administration of Declarations for the Import and Export of Goods	GACC Decree No. 103, adopted in September 2003, and amended in 2014, 2017, and 2018
Customs Rules on Administration of the Levying of Duties on Imports and Exports	GACC Decree No. 124, adopted in 2005, and amended in 2010, 2014, 2017, and 2018

Source: Information provided by the authorities.

3.3. As at the time of China's previous Review, importers must register as foreign trade operators with the Ministry of Commerce (MOFCOM) or its authorized bodies before filing customs declarations. Foreign-invested enterprises (FIEs) may register as foreign trade operators; FIEs require a copy of the certificate of "approval of foreign-invested enterprises" to register. According to the authorities, the GACC has taken measures to simplify and facilitate registration procedures[3], has cancelled the validity period for the registration of customs declaration enterprises and their branches so that registration is of long-term effect[4], and will no longer check the approval certificate of FIEs under certain circumstances.[5]

[1] Customs Law (as amended in 2017). Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/1880958/index.html; and Regulations on Import and Export Duties (as amended in 2016). Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/2558681/index.html.

[2] Amendments to the Customs Administration of Declarations for the Import and Export of Goods and the Customs Rules on Administration of the Levying of Duties on Imports and Exports (through GACC Order No. 235 on Decree on the Publication of the General Administration of Customs Decision on the Amendment of Some Regulations. Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/1413710/index.html.

[3] The relevant GACC announcements are: No. 28, 2018, on Issues Concerning the Integration of Enterprises' Qualifications for Customs Declaration and Inspection. Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/1662054/index.html; No. 143, 2018, on Relevant Matters concerning the Promotion of Integrated Customs Declaration and Inspection to Optimize the Registration of Customs Declaration Entities. Viewed at: http://www.customs.gov.cn/xining_customs/533860/533861/2060885/index.html; and No. 191, 2018, on Matters concerning Further Optimizing the Administration of the Registration of Customs Declaration Entities. Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/2136553/index.html.

[4] GACC Announcement No. 213, 2019, on Cancelling the Validity Period of the Registration of Customs Declaration Enterprises and Their Branches.

[5] GACC Announcement No. 226, 2019, on No Longer Verifying the Approval Certificate for a Foreign-Funded Enterprise. The circumstances when verification of approval certificates is not required include when: (i) foreign-invested international freight agent enterprises apply for customs declaration agency of inbound and

3.4. Import declarations may be submitted on paper or in electronic format through the single window system (see below). The use of a customs broker is mandatory. Documents to be provided with import declarations are listed in the Provisions on the Customs Administration of Declarations for the Import and Export of Goods. They include contracts, invoices, a packing list, a list of freight (manifest of cargo), bills of ladings (transport bills), acting customs clearance authorization entrustment agreement, import licences, and any other import documents as prescribed by the GACC.[6] The authorities indicate that since 2020 some documents, including contracts and packing lists, no longer need to be submitted to customs in the import declaration process[7], and other required documents have been simplified or optimized for the application and printing processes. The GACC does not charge fees for making customs declarations or for the use of the National Single Window (see below). With the consent of the GACC, import declarations may be filed, and customs clearance may take place, in advance of the goods' arrival in China[8]; according to the authorities, this is encouraged.

3.5. In 2019, the GACC launched a reform of the "two-step declaration" for imports, which means that enterprises do not need to submit all declarations and documents at one time. The first step involves making the summary declaration with the bill of lading to pick up the goods. The second step involves completing the whole declaration process within a specified time. According to the authorities, the reform, which was first piloted in some customs offices, made enterprise declaration more efficient and convenient, accelerated cargo release, and further improved the efficiency of customs clearance. It has been applied across the country since 1 January 2020.

3.6. China maintains a standardized National Single Window (NSW) for international trade (www.singlewindow.cn), initiated in 2016 and based on the China E-Port.[9] The NSW connects the systems of the relevant port management and international trade departments, providing a one-stop service for customs formalities and procedures. It is interconnected with provincial single windows, which are nationally standardized but also embedded with locally distinct services.[10] The NSW was also enhanced to provide a one-stop platform for trade services and for inter-connection with trading partners. Since China's previous Review, the number of connected ministries and commissions increased (from 11 in January 2018 to 25 at end-2020), and the number of basic service functions (e.g. port law enforcement services) increased from 9 to 16 over the same period. The NSW is now fully operational. The NSW is the main online entry point for traders to submit their customs declarations and associated documents. In 2018, over 70% of imports were declared through the single window. By end-2019, the percentage had risen to 100%. Use of the NSW remains voluntary. According to the authorities, the online application rates for other major declaration services, such as cargo, manifest, and ship declarations, has reached 100%. China shared its experience of the NSW with the WTO Committee on Trade Facilitation in 2019.[11]

3.7. The GACC operates an "Internet + Customs" platform, which provides online access to government customs services, such as pre-declaration information input, export rebates, administrative approval, and intellectual property rights (IPR) registration. The system allows enterprises to submit information in one place rather than to different port management authorities.[12] It is separate from the NSW (see above), which provides a single platform for the submission of standardized information and documentation to the relevant authorities.

3.8. Importers are required to comply with the inspection and quarantine requirements of Customs, as stipulated by law, regulations, and the Catalogue of Import and Export Commodities Subject to Compulsory Inspection. The Catalogue lists commodities as required to protect human, animal or plant health, and the environment, and to prevent fraud and safeguard national security. The list

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outbound express; and (ii) consignees and consigners of foreign-invested import and export goods go through the cancellation procedures with customs.

[6] Provisions on the Customs Administration of Declarations for the Import and Export of Goods, Article 27. Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/2539748/index.html.

[7] GCC Notice on Issuing the List of Measures to Coordinate Port Epidemic Prevention and Control and Facilitate Customs Clearance (Shu Zong Fa No. 57, 2020).

[8] Provisions on the Customs Administration of Declarations for the Import and Export of Goods, Chapter III.

[9] China E-Port is a large information-sharing platform for customs clearance that was jointly established several years ago by the GACC and other relevant departments under the State Council.

[10] WTO document WT/TPR/M/375/Add.1, 1 February 2019.

[11] WTO TFA Database. Viewed at: https://tfadatabase.org/members/china.

[12] GACC. Viewed at: http://english.customs.gov.cn/.

was amended twice (in 2019 and 2020) to remove import supervision inspection requirements on 390 tariff lines (at the 10-digit HS level), including cloth and adult clothing, textiles, machinery, and cold-rolled steel plates.[13] During the review period, the GACC issued various administrative measures for the inspection and/or quarantine of specific goods.

3.9. Enterprises are classified into different groups based on risk analysis, which is based on their credit rating and the characteristics of the commodities they import. Additionally, transport modes have different risk indices, for example, relating to sensitive routes and the country of departure.[14] The authorities indicate that data on the share of imports subject to physical inspection are not available.

3.10. In October 2018, the GACC adopted the inspection and supervision method of "inspection and release before testing" for imported low-risk minerals such as iron ore, manganese ore, chromium ore, lead ore and its concentrate, and zinc ore and its concentrate. According to the authorities, the average inspection and release time of imported iron ore has been significantly reduced from 18.89 days to 2.21 days.

3.11. The authorities indicate that, in October 2020, the overall clearance time for imports nationwide was 43.48 hours, reduced by 55.35% compared with 2017.[15]

3.12. China's Authorized Economic Operator (AEO) scheme remains in place; the authorities indicate that, over the past decade, it underwent several revisions and improvements and developed from the initial single system to a customs credit management system that combines the requirements of the national credit system with the AEO system of the World Customs Organization. By end-2020, there were 3,523 AEOs in China, accounting for 0.65% of all import and export enterprises but covering around 30% of the total value of imports and exports. By end-February 2021, China had signed mutual recognition agreements of AEO systems with 43 trading partners. China shared its AEO programme experience with the WTO Trade Facilitation Committee in 2018.[16]

3.13. Some 163 "special customs supervision areas", governed by their own respective regulations, continue to exist; 39.3% are located in the Pilot Free Trade Zones (PFTZs). The objectives of such areas include carrying out bonded processing, logistics, and services. China's special customs supervision areas are approved by the State Council and supervised by Customs. There are six types of these areas: bonded zones, export processing zones, bonded logistics parks, bonded ports, comprehensive bonded zones, and cross-border industrial zones. There have been no major changes in their rules and regulations. China also applies different customs procedures to specific areas, in some instances on a trial basis, to assess their functionality.[17] Special customs procedures remain in place to facilitate customs formalities for importers (and exporters) of multiple batches of time-limited, fresh, perishable, difficult-to-store, and dangerous goods, as well as bonded goods exported

[13] GACC Announcements No. 220, 2019, and No. 9, 2020. Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/2811876/index.html; and http://www.customs.gov.cn/customs/302249/302266/302267/2858709/index.html.

[14] WTO documents WT/TPR/S/375/Rev.1, 14 September 2018; and WT/TPR/M/375/Add.1, 1 February 2019. An enterprise's credit rating is based on import and export records and whether it is law-abiding. Enterprises are categorized according to their credit rating into authorized enterprises, enterprises of general integrity, and dishonest enterprises.

[15] The authorities indicate that figures on import clearance times cited in the previous Secretariat Report (WTO document WT/TPR/S/375/Rev.1, 14 September 2018) referred to handling procedures for customs clearance (the time from Customs' acceptance of the declaration of goods to the issuing of the release order). The figures provided in this Review consider overall clearance time for goods at the port (the time from the arrival of goods at the port to their pick-up, including arrival at the port, unloading and tally, clearance preparation, customs clearance, and customs release).

[16] WTO TFA Database. Viewed at: https://tfadatabase.org/members/china.

[17] GACC Decree No. 209, 27 June 2013, Customs Supervision Measures for Hengqin New Area. and GACC Decree No. 208, 27 June 2013, China Customs Regulatory Approach to Pingtan Comprehensive Experimental Zone (Trial).

from or imported into China via road ports.[18] Specific customs clearance supervision modes to support China's cross-border e-commerce pilot projects have been continued.[19]

3.14. Citizens, legal persons, or other organizations believing that a specific administrative act of Customs infringes upon their legitimate rights and interests may file an application for administrative reconsideration within 60 days of the knowledge of such an act, or file a lawsuit in a People's Court within six months of such knowledge. For tax payment disputes, a party can file an application for administrative reconsideration with Customs in accordance with the Customs Law. If the party is dissatisfied, the next step is to file an administrative proceeding with a People's Court. Between January 2018 and July 2020, the GACC accepted 104 administrative review cases, including 43 government information publicity cases, 6 inspection and quarantine treatment cases, 12 administrative penalty cases, 8 taxpaying disputes, 1 complaint report reply, 2 administrative licensing cases, and 2 enterprise management cases. Over the same period, the GACC handled 46 lawsuits, including 16 complaints and reports, 1 taxpaying dispute, 3 administrative penalty cases, 20 government information publicity cases, 5 unaccepted reconsideration cases, 1 administrative compensation case, and 1 administrative licensing case.

3.1.1.1 Preshipment inspection

3.15. In 2019, China notified to the WTO its laws and regulations putting the Agreement on Preshipment Inspection into force.[20] These are the Law on Import and Export Commodity Inspection (amended in 2018)[21]; Regulations on the Implementation of the Law on Import and Export Commodity Inspection (revised in 2019)[22]; Measures for the Inspection, Supervision and Administration of Imported Old Mechanical and Electrical Products[23]; and the Measures for the Supervision and Administration of Inspection and Quarantine of Imported Solid Waste Which Can Be Used as Raw Materials.[24] The authorities indicate that mandatory preshipment inspection (PSI) requirements are applied to a specified range of imported old mechanical and electrical products; PSI requirements also used to be required for imports of solid waste before such imports were prohibited on 1 January 2021 (Section 3.1.5).

3.1.1.2 Customs valuation

3.16. There have been no changes in China's customs valuation rules and procedures since its previous Review. These are contained in GACC Decree No. 2013 and were notified to the WTO in 2018.[25] Customs value is determined on the basis of the transaction value and, when it cannot be used, the other valuations methods are used in sequential order, as stipulated in the WTO Customs Valuation Agreement.

3.1.1.3 Trade facilitation

3.17. China deposited its instrument of acceptance of the Protocol of Amendment inserting the Agreement on Trade Facilitation (TFA) into Annex 1A to the WTO Agreement on 4 September 2015.

[18] Administrative Measures for Centralized Declaration of Imported and Exported Goods.

[19] At the time of China's previous Review, four new customs clearance supervision modes had been proposed to support cross-border e-commerce pilot projects (general export, export to special areas, direct purchase import, and e-commerce bonded import), three new supervision modes for cross-border e-commerce had been set up; and a cross-border e-commerce retail import and export informational customs clearance management system had been established (WTO document WT/TPR/M/375/Add.1, 1 February 2019). As indicated by the authorities in the context of this Review, in 2020 Customs carried out the pilot programme of business-to-business export in cross-border e-commerce in 22 customs offices.

[20] WTO document G/PSI/N/1/Rev.4/Add.1, 23 October 2019.

[21] Law on Import and Export Commodity Inspection. Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/2369445/index.html.

[22] Regulations on the Implementation of the Law on Import and Export Commodity Inspection. Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/2369666/index.html.

[23] Measures for the Inspection, Supervision and Administration of Imported Old Mechanical and Electrical Products. Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/2371611/index.html.

[24] Measures for the Supervision and Administration of Inspection and Quarantine of Imported Solid Waste Which Can Be Used as Raw Materials. Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/2371598/index.html.

[25] WTO document G/VAL/N/1/CHN/6, 12 April 2018.

China notified its Category A commitments, which cover the majority of measures, in June 2014[26], and its Category B commitments in June 2017.[27] China does not have any Category C commitments. The authorities indicate that implementation of Category B clauses was accelerated and, in some cases, achieved ahead of schedule. Notably, the "Single Window" clause was implemented in July 2019, and the "establishment and publication of average release times" was implemented in January 2020. According to the WTO TFA database, China fully implemented the Agreement ahead of the original date of 22 February 2020.[28] China updated official publication locations and contact points with relevant information and participated in exchanges of experience within the Committee on Trade Facilitation (it shared its AEO programme experience with the Committee in October 2018 and its single window experience in October 2019).[29]

3.18. In February 2020, the GACC issued 10 Measures to Cope with the Impact of the Epidemic and Promote the Steady Growth of Foreign Trade in order to reduce the impact of COVID-19 on the Chinese economy and promote the steady growth of foreign trade when preventing and controlling the epidemic (Box 3.1). Additionally, in March 2020, the GACC issued a List of Measures for Coordinating Work to Prevent and Control the Epidemic at Ports and Facilitating Customs Clearance. Reportedly, this list contains 50 measures to implement the decisions and arrangements on epidemic prevention and control and the facilitation of customs clearance at ports, focusing on four aspects: (i) preventing imported cases of COVID-19; (ii) facilitating customs clearance; (iii) reducing import and export costs; and (iv) ensuring the unimpeded operation of industrial chains and foreign trade supply chains.[30]

Box 3.1 GACC trade facilitation measures

1. Simplification of business registration and help with clearance formalities. Applications for changes to a business's registration information (except name changes) may be postponed until after the outbreak ends. The GACC will provide more timely assistance to businesses (especially micro, small, and medium-sized enterprises (MSMEs)) with import/export problems.
2. Expedited clearance of imported electromechanical equipment and raw materials urgently needed for domestic production, including through increased use of inspection machines and minimized used of laboratory testing of goods on strength of third-party certificates, test reports, or enterprise quality and safety self-declarations.
3. Import facilitation of food and agricultural product imports. Expedited process to grant market access to more categories of agri-food products from more countries and to register more establishments. Shortening of quarantine approval process. Green lanes to be established at key ports to provide around-the-clock clearance for foreign agri-food products on a reservation basis. Priority inspection of imported food and agricultural products over other goods and priority testing of products suspected to contain pests or disease.
4. Support businesses in export expansion. The GACC optimizes of pre-export control and certification services. Expedited administrative approval for registered exporters and training in dealing with technical trade barriers.
5. Simplified sanitary approval for imported special medical supplies. Direct release by customs of imported special medical supplies used for curing, preventing, and diagnosing COVID-19 on the strength of certificates issued by relevant competent authorities, provided the sanitary risk is controllable.
6. Simplified extension formalities for processing trade enterprises, in case of delayed resumption of production.
7. Simplified write-off formalities and reduced on-site audits. The GACC handles write-off formalities based on the inventory data provided by enterprises, without checking at the factory. If feasible, the GACC conducts off-site audits by video or electronic data transmission to minimize interruption to enterprises' production and operation.
8. Simplified and expedited administrative penalty procedures. The GACC handles law-breaking cases involving anti-epidemic supplies in a fast and simple way, and should not detain the involved goods, items, transportation conveyances or account documents under usual circumstances. The involved party's written confession, if proven by key evidence such as inspection records can be used as evidence by the GACC.

[26] WTO documents WT/PCTF/CHN/1, 1 June 2014; and G/TFA/N/CHN/1/Add.1, 24 November 2017.
[27] WTO documents G/TFA/N/CHN/1, 6 June 2017; and G/TFA/N/CHN/1/Add.2, 14 February 2018.
[28] WTO TFA Database. Viewed at: https://tfadatabase.org/members/china.
[29] All TFA notifications may be viewed at: https://tfadatabase.org/members/china.
[30] GACC. Viewed at: http://www.customs.gov.cn/customs/xwfb34/302425/2892073/index.html.

9. Enhanced international coordination and steps to cope with external trade restrictions. Monitoring, analysis, and publication of external trade restrictions by the GACC and provision of consultation services.

10. Efficiency with support of "Internet + Customs". When a paper document is required for verification, its electronic copy can be accepted by the GACC upon approval before the submission of the paper document. Customs, through a new service hotline and media platforms, answers queries from enterprises and publishes customs policies and measures.

Source: GACC. Viewed at: http://www.customs.gov.cn/customs/ztzl86/302414/302415/qmzyx/zcwj5/3358972/index.html; and GACC, *GACC Launches Facilitative Measures as Foreign-Trade Businesses Begin to Resume Operations*, 19 February 2020. Viewed at: http://english.customs.gov.cn/Statics/8f0f8824-eef2-492b-ace6-77d84bf12f1f.html.

3.19. The authorities confirm that China's COVID-19-related measures affecting goods, in the area of trade facilitation, include: (i) a MOFCOM notice actively guiding and encouraging enterprises to apply for import and export licences through a paperless process, further simplifying the materials required for the paperless application for import and export licences, optimizing the application and updating processes of electronic keys, and encouraging enterprises to apply for and update electronic keys online; (ii) a Ministry of Agriculture and Rural Affairs (MARA) circular implementing nine facilitation measures regarding three categories of agricultural administrative approval (licence renewal, simplification of approval procedure, and optimization of approval process); and (iii) trade facilitation measures through the holding of the 127th Canton International Fair online.[31]

3.1.2 Rules of origin

3.20. China continues to apply preferential and non-preferential rules of origin.

3.21. Non-preferential rules of origin are used to apply the most-favoured nation (MFN) tariff rate; ensure the origin of goods subject to anti-dumping, countervailing, and safeguard measures; ensure that import quotas and tariff quota limits are imposed on specific countries; and determine the origin of imported goods purchased by the Government. During the review period, the GACC simplified the application process for certificates of non-preferential origin.[32]

3.22. Preferential rules of origin apply in accordance with the specifications of the various preferential agreements signed by China. They are also used to grant preferential treatment to imports from least developed countries (LDCs). In general, the criteria used to determine origin include change in tariff classification, whether the good is wholly obtained in one party, regional value content, processing operation, or other requirements. Most free trade agreements (FTAs) provide for the possibility of bilateral cumulation. Since China's previous Review, rules of origin of FTAs with Chile; Macao, China; and Georgia were notified to the WTO.[33] The main features of all of China's preferential rules of origin in force are described in the Secretariat report for China's previous Review.[34] To facilitate customs regulation-compliant clearance, China extended its electronic networking systems of origin, which enable the transmission of electronic data regarding certificates of origin in real time; the systems now cover 16 countries and regions under 13 RTAs.[35]

[31] WTO, *COVID-19: Measures Affecting Trade in Goods*. Viewed at: https://www.wto.org/english/tratop_e/covid19_e/trade_related_goods_measure_e.htm.

[32] This change was introduced through GACC Administrative Measures for the Issuance of Certificates of Non-Preferential Origin, implemented through GACC Order No. 240, which amends various regulations. Viewed at: www.customs.gov.cn/customs/302249/302266/302267/1880777/index.html. Filing procedures were changed to simplify material submission requirements; applicants are no longer required to submit copies of documents, including the business licence, registration form for foreign trade operators, and organization code certificates, and they do not need to submit the original copies to be checked.

[33] WTO documents G/RO/N/191, 20 January 2020; G/RO/N/187, 20 September 2019; and G/RO/N/171, 24 May 2018.

[34] WTO document WT/TPR/S/375/Rev.1, 14 September 2018. Table A3.1 describes the main features of the rules of origin under the Asia Pacific Trade Agreement and the Association of South East Asian Nations Free Trade Agreement, as well as China's RTAs with Australia; Hong Kong, China; Macao, China; Chile; the Republic of Korea; New Zealand; Pakistan; Singapore; Peru; Switzerland; Iceland; Georgia; and Costa Rica.

[35] New systems that became operational during the review period were under China's RTAs with Pakistan (online date of 30/04/2018); Chile (01/01/2019); Singapore (01/01/2019); ASEAN (Singapore, 01/11/2019; and Indonesia, 15/10/2020); Georgia (01/01/2020), and five LDCs (Bangladesh, Niger, Ethiopia, Mozambique, and Timor-Leste on 18/08/2020).

3.1.3 Tariffs

3.1.3.1 Applied MFN tariffs

3.23. China's tariff structure is composed of MFN tariff rates, "agreement tariff rates", special preferential tariff rates, general tariff rates, and tariff quota rates. In addition, interim tariff rates, which are usually lower than MFN rates, are applied for a specific period of time (usually one year).[36]

3.24. China's applied MFN tariff in 2021 consists of 8,580 lines at the 8-digit level in the 2017 Harmonized System. Most tariff lines (87.4%) carry *ad valorem* tariffs. One thousand eighty-one tariff lines (12.6% of all lines) were duty-free. Thirty-four tariff lines (0.4 % of all lines) carry specific rates.

3.25. The simple average applied MFN rate in 2021 was 7.1%, compared with 9.3% in 2017, with tariff-rate reductions in nearly all product categories. The tariff was higher for agricultural products (WTO definition), at 12.7%, showing a notable decrease compared with 2017 and 2015 (Table 3.2). The average applied tariff on non-agricultural products fell to 6.2% (from 8.5% in 2017 and 8.6% in 2015). The percentage of tariffs that exceeded 15% (international tariff peaks) was 4.5% (significantly lower than the 13.9% in 2017). The percentage of tariffs subject to domestic tariff peaks was 1.9% (compared with 1.8% in 2017).

3.26. With respect to agriculture, the main decreases in tariff rates can be found under food preparations. The tariff average under HS Chapter 16 (preparations of meat and fish) dropped from 10.4% in 2017 to 5.5% in 2021, and the maximum tariff rate dropped from 23% to 12%. The tariff average under HS Chapter 19 (preparations of cereals, flour, starch, or milk) dropped from 17.5% in 2017 to 9.0% in 2021, and the maximum tariff rate dropped from 30% to 10%. Under HS Chapter 20 (preparations of vegetables, fruit, or nuts), the tariff average dropped from 20.1% in 2017 to 6% in 2021.

3.27. Among the main products/product groups affected by decreases in tariff peaks were food preparations, clothing and footwear (HS Chapters 62-64), articles of stone and cement (HS Chapter 68), articles of precious metals (HS 7113 to HS 7117), motor vehicles (HS 8703), and monitors and projectors (HS 8528).

Table 3.2 Tariff structure, 2015, 2017, and 2021

	MFN applied				Current bound[a,c]	Final bound[c]
	2015	2017[a]	2017[b]	2021[a]		
Bound tariff lines (% of all tariff lines)	100.0	100.0	100.0	100.0	100.0	100.0
Simple average rate	9.5	9.5	9.3	7.1	9.6	9.6
WTO agricultural products	14.8	14.8	14.6	12.7	15.1	15.1
WTO non-agricultural products	8.6	8.6	8.5	6.2	8.8	8.7
Duty-free tariff lines (% of all tariff lines)	9.7	9.8	9.8	12.6	9.6	10.3
Simple average rate of dutiable lines only	10.5	10.5	10.3	8.1	10.7	10.7
Tariff quotas (% of all tariff lines)	0.6	0.6	0.6	0.5	0.5	0.5
Non-*ad valorem* tariffs (% of all tariff lines)	0.5	0.4	0.4	0.4	0.0	0.0
Domestic tariff "peaks" (% of all tariff lines)[d]	2.2	2.0	1.8	1.9	2.1	2.1
International tariff "peaks" (% of all tariff lines)[e]	14.4	14.6	13.9	4.5	15.5	15.3
Overall standard deviation of tariff rates	7.5	7.5	7.4	6.1	7.7	7.6
Coefficient of variation of tariff rates	0.8	0.8	0.8	0.9	0.8	0.8
Nuisance applied rates (% of all tariff lines)[f]	2.9	2.9	3.2	4.3	2.8	2.5

[36] Agreement rates apply to imports from countries and customs territories with which China has preferential trade agreements (Section 2). Special preference duty rates are unilateral preferences applied to imports originating in LDCs with which China has a trade agreement. General rates apply to: products whose origin cannot be determined; products from countries that do not have a reciprocal trade agreement with China; non-WTO Members; and some territories of EU member States. If a country appears in several lists, the most favourable duty rate applies, taking into account the rules of origin. Interim duties are fixed annually by the Customs Tariff Commission, and usually apply from 1 January to 31 December of each year. Interim duties are applied on an MFN basis and replace the MFN duties for the lines that are affected. Interim duty rates are lower than the MFN rates, and in certain instances the interim duty rate applies to just part of a tariff line.

	MFN applied				Current bound[a,c]	Final bound[c]
	2015	2017[a]	2017[b]	2021[a]		
Number of lines	8,285	8,547	8,547	8,580	8,580	8,580
Ad valorem rates (> 0%)	7,437	7,671	7,669	7,499	7,753	7,696
Duty-free rates	806	838	840	1,081	827	884
Specific rates	34	34	34	34	0	0
Alternate rates	3	3	3	3	0	0
Other[g]	5	1	1	0	0	0

a As at 1 July. Tariff cuts implemented by the expansion of the Information Technology Agreement are included.
b As at 1 December 2017. Tariff cuts fully applied at the 8-digit level (179 tariff lines) are included.
c Bound rates are based on the 2021 tariff schedule. Final bound rates are fully implemented by 2023.
d Domestic tariff peaks are defined as those exceeding three times the overall average applied rate.
e International tariff peaks are defined as those exceeding 15%.
f Nuisance rates are those greater than zero, but less than or equal to 2%.
g Rates involving either an *ad valorem* rate, if the price is below or equal to a certain amount, or a compound rate, if the price is higher.

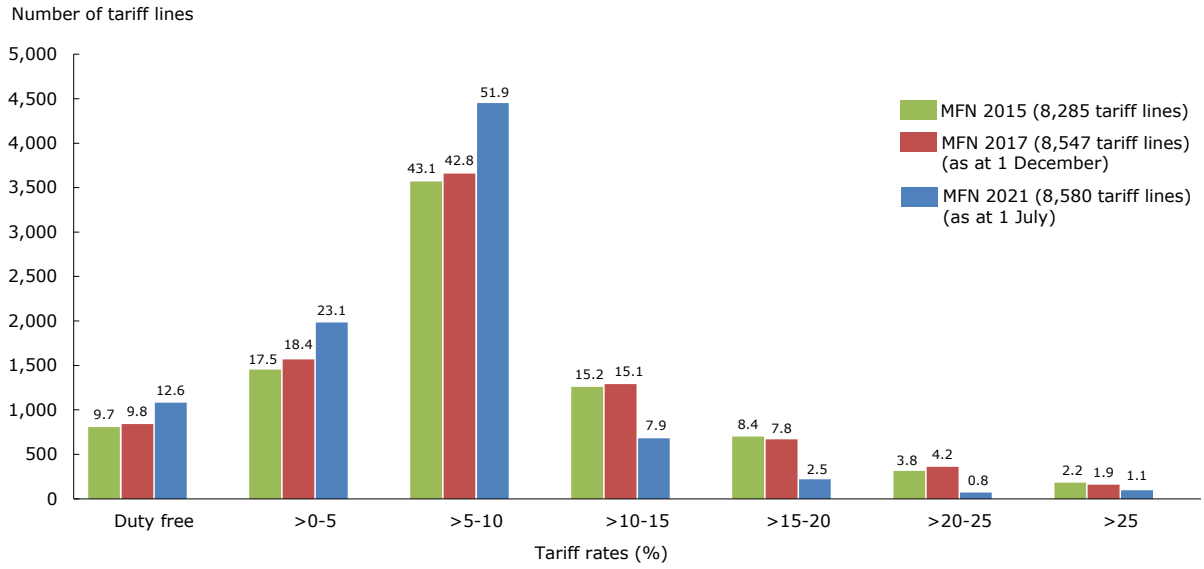
Note: Calculations are based on national tariff line level (8-digit), excluding in-quota rates and including *ad valorem* equivalents (AVEs) for non-*ad valorem* rates provided by the authorities.
Interim duty rates are used for the calculations when fully applied at the 8-digit level.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.28. In 2021, China's applied MFN tariff contained 50 different *ad valorem* tariff rates (compared with 78 in 2017). These ranged from 0-65%, with a standard deviation of 6.1 (Table A3.1).

3.29. Over 87% of all tariffs ranged from duty-free to 10%, higher than the 71% reported in 2017, and in tandem the share of lines with rates higher than 10% decreased significantly. In 2021, 1.9% of tariff lines had rates of over 20% (Chart 3.1). China's highest tariffs of 65% apply to 20 tariff lines (wheat and meslin; maize, other than seed; rice; wheat and meslin flour; cereal groats, meal and pellets; certain worked cereal grains (of maize and of barley); and vermouth and other wine flavoured with plants (in containers holding more than 2 litres)). Rates of 57% apply to four tariff lines (other manufactured tobacco (HS 2403)). Rates of 50% apply to 10 tariff lines (7 to cane or beet sugar and chemically pure sucrose in solid form (HS 1701) and 3 to mineral or chemical fertilizers (HS 3105)).

Chart 3.1 Distribution of MFN applied tariff rates, 2015, 2017, and 2021

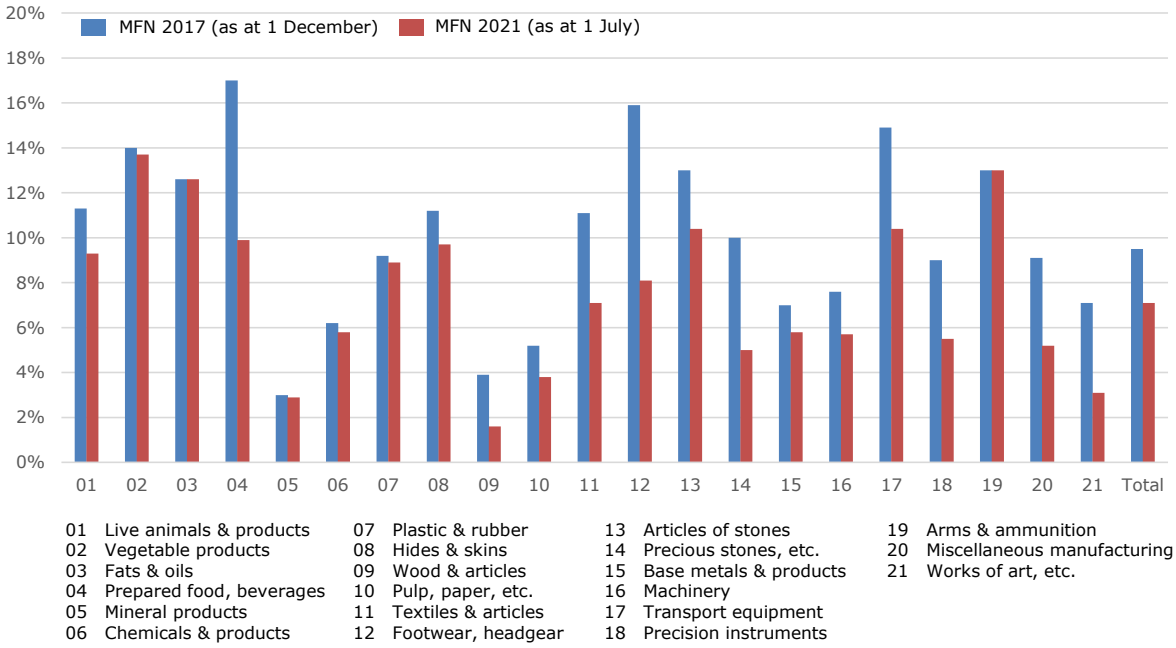


Note: Figures above the bars denote the share of total lines. 2015 tariff schedule is based on HS12 nomenclature, and 2017 and 2021 on HS17.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.30. Between 2017 and 2021, average tariff rates decreased across all HS sections except for 03 (fats and oils) and 19 (arms and ammunition). The most significant drops were seen in HS Sections 04 (prepared food, beverages); 11 (textiles and articles); 12 (footwear and headgear); 14 (precious stones, etc.); 17 (transport equipment); 20 (miscellaneous manufacturing); and 21 (works of art, etc.) (Chart 3.2).

Chart 3.2 Average applied tariff rates, by HS section, 2017 and 2021



Note: Excluding in-quota rates and including AVEs for non-*ad valorem* rates. Interim duty rates are used for the calculations when fully applied at the 8-digit level.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.1.3.2 Tariff rate quotas (TRQs)

3.31. Wheat (7 tariff lines), corn (5 lines), rice (14 lines), sugar (7 lines), wool and wool top (9 lines), cotton (2 lines), and chemical fertilizer (3 lines) are subject to TRQs (Section 4.1.2).

3.1.3.3 Bound tariffs

3.32. Upon its entry into the WTO, China bound 100% of its tariffs at *ad valorem* rates ranging from 0-65% for agriculture (WTO definition) and from 0-50% for non-agricultural products. The simple average current bound rate is 9.6% (15.1% for agriculture and 8.8% for non-agricultural goods); final bound rates must be implemented by 2023. While all tariffs were bound at *ad valorem* rates, applied MFN tariffs on 37 tariff lines are non-*ad valorem*. At the time of China's previous Review, the authorities indicated that *ad valorem* equivalents do not exceed the bound tariff rate in practice, as the lower rate is applied.

3.1.3.4 Preferential rates

3.33. China applies preferential tariffs under its preferential (PTAs) and regional trade agreements (RTAs) (Section 2.3.2). Hong Kong, China and Macao, China face the lowest average tariff duties, followed by Chile and New Zealand (Table 3.3). The share of duty-free tariff lines in China's RTAs ranges between 0.04% (RTAs with Hong Kong, China and Macao, China) and 6.6% (Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei)). Data on utilization of preferential tariffs under RTAs and PTAs were not available.

3.34. China also grants preferential tariff treatment to imports from LDCs that have established diplomatic relations with China, and completed the exchange of diplomatic notes. By February 2021,

China had implemented zero tariffs on 97% of tariff lines for these 41 LDCs. Submissions have been made by LDCs and China to the WTO Committee on Rules of Origin regarding utilization rates of LDC exports under China's LDC preferential trade arrangement.[37]

Table 3.3 Summary analysis of the Chinese preferential tariff, 2020

	Total		WTO agriculture		WTO non-agriculture	
	Average (%)	Duty-free rates[a] (%)	Average (%)	Duty-free rates[a] (%)	Average (%)	Duty-free rates[a] (%)
MFN	7.1	12.6	12.7	8.9	6.2	13.2
Agreement tariff rates						
APTA[b]	6.5	12.8	11.8	9.8	5.7	13.3
ASEAN[c]	0.6	94.0	1.6	92.5	0.4	94.3
Hong Kong, China CEPA[d]	0.04	99.2	0.0	100.0	0.05	99.1
Macao, China CEPA[d]	0.04	99.2	0.0	100.0	0.05	99.1
Chinese Taipei ECFA[e]	6.6	19.9	12.5	10.3	5.7	21.4
Pakistan FTA	3.8	46.3	8.9	27.8	3.0	49.2
Chile FTA	0.4	97.6	1.9	94.9	0.1	98.0
New Zealand FTA	0.4	97.9	1.9	94.8	0.1	98.4
Singapore FTA	4.1	45.8	8.4	43.1	3.4	46.2
Peru FTA	0.9	93.4	2.5	89.2	0.6	94.0
Costa Rica FTA	0.5	95.9	2.5	86.6	0.2	97.4
Iceland FTA	0.5	96.0	2.6	90.9	0.2	96.8
Switzerland FTA	2.0	62.2	5.0	39.6	1.6	65.8
Australia FTA	0.5	94.6	2.5	87.2	0.2	95.8
Korea, Rep. of FTA	3.5	42.1	7.1	24.9	2.9	44.8
Georgia FTA	0.8	90.8	3.3	80.6	0.4	92.4
Mauritius FTA	1.6	87.9	4.6	78.0	1.1	89.5
Least developed preferential rates						
Special preferential tariff agreement for:						
Bangladesh and Lao PDR under APTA	7.0	13.9	12.6	9.1	6.1	14.7
Cambodia	6.5	18.7	10.1	30.0	6.0	16.9
Lao PDR	6.8	16.4	10.9	23.8	6.1	15.2
Myanmar	6.8	16.5	11.9	14.7	6.0	16.8
LDC1 (40 countries)	0.6	96.6	2.3	93.5	0.3	97.0
LDC2 (Benin, Timor-Leste, Myanmar)	0.8	94.4	2.4	92.3	0.5	94.8
Memorandum item:						
Bangladesh[f]	0.5	96.6	2.3	93.5	0.3	97.0
Cambodia[g]	0.4	97.1	1.4	94.6	0.2	97.5
Lao PDR[h]	0.4	97.1	1.4	94.7	0.2	97.5
Myanmar[i]	0.5	95.7	1.4	94.6	0.3	95.8
Singapore[j]	0.6	94.1	1.5	92.6	0.4	94.3
Korea, Rep. of[k]	3.4	42.1	7.1	24.9	2.8	44.8

a Duty-free lines as a percentage of total tariff lines.
b Preferential rates under the Asia Pacific Trade Agreement (APTA) are applicable to the Republic of Korea, Sri Lanka, Bangladesh, India, and Lao People's Democratic Republic (PDR).
c Preferential rates under the Association of South East Asian Nations (ASEAN) Agreement are applicable to Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam.
d Closer Economic Partnership Arrangement (CEPA).
e Cross-straits Economic Co-operation Framework Agreement.
f Based on lowest rates taken among APTA, Bangladesh and Lao PDR under APTA, and LDC1.
g Based on lowest rates taken among ASEAN, special preferential for Cambodia under APTA, and LDC1.
h Based on lowest rates taken among APTA, ASEAN, Bangladesh and Lao PDR under APTA, special preferential for Lao PDR, and LDC1.
i Based on lowest rates taken among ASEAN, special preferential for Myanmar, and LDC2.
j Based on lowest rates taken among ASEAN, and Singapore FTA.
k Based on lowest rates taken among APTA, and the Republic of Korea FTA.

Note: Calculations are based on national tariff line level (8-digit), excluding in-quota rates and including AVEs for non-*ad valorem* rates provided by the authorities. Interim duty rates are used for the calculations when fully applied at the 8-digit level.

Source: WTO Secretariat calculations, based on data provided by the authorities.

[37] WTO document G/RO/W/192, 9 October 2019; and G/RO/W/197, 20 July 2020.

3.1.3.5 Tariff exemptions or concessions

3.35. Tariff exemptions apply to the following imports: (i) goods in a single consignment on which the duties are estimated to be less than CNY 50; (ii) advertising material and samples of no commercial value; (iii) goods donated by international organizations or foreign governments; (iv) goods damaged prior to customs clearance; (v) fuels and provisions to be used by vessels that are in transit in China; and (vi) goods imported for daily use and valued at less than CNY 8,000 per person per day. Tariff concessions can apply to goods that are processed and exported within a specific period of time.

3.36. In addition, duty exemptions and reductions may apply in accordance with the relevant regulations by the State Council, and on goods imported into designated areas, for specific enterprises for a specific use.[38] For instance, imported commodities are exempt from import duties and other taxes when entering special customs supervision areas. Various customs duty exemptions in place for the period 2017-18 were notified to the WTO Committee on Subsidies and Countervailing Measures.[39] Information was not available on any customs duty exemptions or reductions introduced since 2019; the authorities indicate that there were no available data on revenue forgone from tariff concessions or exemptions over the same period.

3.1.4 Other charges affecting imports

3.37. As noted in previous Reviews, other charges affecting imports are the value added tax (VAT), the consumption tax, the Automobile Purchase Tax, and (until March 2020) port construction fees. To support COVID-19 prevention and control, companies and individual businesses are exempt from VAT and consumption tax (and various other charges that do not affect imports[40]) for goods self-produced, processed through commissioning, purchased, or donated for the purposes of curbing the spread of COVID-19, through public welfare social organizations, People's Governments and their departments at or above the country level and other state entities, or directly to hospitals undertaking the task of COVID-19 prevention and control. This exemption was effective from 1 January 2020.[41]

3.1.4.1 Value added tax (VAT)

3.38. In 2019, VAT accounted for 39.5% of total tax revenue (up from 39.1% in 2017). In May 2018, VAT tiers were reduced to 16%, 10%, and 6% (from 17%, 11%, and 6% in 2017).[42] Effective from April 2019, VAT was further reduced to 13%, 9%, and 6% (Table 3.4).[43]

3.39. As notified to the WTO, preferential VAT policies were in place during the period 2017-18 for: (i) incubators of science and technology enterprises; (ii) science and technology parks of national universities; (iii) integrated utilization of resources; (iv) new-type wall materials; (v) photovoltaic-generated electricity; (vi) hydropower electricity; (vii) small enterprises making little profit; (viii) enterprises that employ disabled people; (ix) imported products exclusively used by disabled people; (x) products for disabled people; (xi) anti-HIV-AIDS medicine; (xii) tea sold in the border areas; (xiii) imported products for the purpose of replacing the planting of poppies; (xiv) imports of seeds (seedlings); (xv) the integrated circuit industry; (xvi) large passenger aircraft; and (xvii) anti-cancer drugs.[44] Pending China's submission of its new notification to the WTO Committee on Subsidies and Countervailing Measures, information was not provided by the authorities regarding which preferential VAT policies remain in place. From 1 January 2020 to 31 December 2020, taxpayers were exempt from VAT on income obtained by providing film

[38] Customs Law, Article 57.
[39] WTO document G/SCM/N/343/CHN, 19 July 2019.
[40] These taxes/charges are the urban maintenance and construction tax, the educational surtax, and local education surcharges.
[41] MOFCOM and State Taxation Administration, Announcement No. 9, 2020, on the Relevant Donation Tax Policies Supporting the Prevention and Control of the COVID-19 Outbreak.
[42] State Taxation Administration. Viewed at: http://www.chinatax.gov.cn/eng/c101270/c101271/c5094511/content.html.
[43] KPMG, *China's VAT System Takes Significant Steps Forward in Applying International Best Practice VAT Policies*, 25 March 2019. Viewed at: https://home.kpmg/cn/en/home/insights/2019/03/china-tax-alert-12.html.
[44] WTO document G/SCM/N/343/CHN, 19 July 2019.

projection services.[45] From 1 January 2019 to 31 December 2022, taxpayers are exempt from VAT on goods donated for poverty alleviation, under certain conditions.[46]

Table 3.4 VAT rates, December 2020

Rate	Products and services
13%	(1) Rate applied for taxpayers selling goods, labour services, or tangible movable property leasing services or imported goods, except as otherwise specified in items (2), (4), and (5).
9%	(2) Rate applied to taxpayers selling transportation, postal, basic telecommunications, construction, or immovable leasing services, selling immovables, transferring the right to use the land, or selling or importing: (i) grain and other agricultural products, edible vegetable oil, and edible salt; (ii) tap water, heating, cooling, hot water, coal gas, liquefied petroleum gas, natural gas, dimethyl ether, methane gas, and coal products for residential use; (iii) books, newspapers, magazines, audio-visual recordings, and electronic publications; (iv) feed, fertilizer, pesticide, agricultural machinery, and agricultural films; and (v) other goods specified by the State Council.
6%	(3) Rate applied to taxpayers selling services or intangible assets, except as otherwise specified in items (1), (2), and (5).
Zero-rated	(4) Rate applied to taxpayers exporting goods, except as specified by the State Council, and to domestic entities and individuals selling services or intangible assets across national borders within the scope prescribed by the State Council.
Exempt	(5) VAT exemptions apply to: self-produced agricultural products sold by agricultural producers; contraceptive medicines and devices; antique books; apparatus and equipment imported and directly used for scientific research, experiments, and teaching; imported materials and equipment from foreign governments and international organizations as gratuitous aid; articles exclusively for persons with disabilities that are directly imported by organizations of persons with disabilities; and self-used articles sold by the seller.

Source: Interim Regulation on Value Added Tax (State Council Order No. 691), Articles 2 and 15; Notice of the Ministry of Finance and State Taxation Administration on the Relevant Policies on the Streamlining and Combination of Value-added Tax Rates (Cai Shui No. 37, 2017); and Announcement of the Ministry of Finance, the State Taxation Administration, and the GACC on Relevant Policies for Deepening the Value-added Tax Reform (Announcement No. 39, 2019).

3.1.4.2 Consumption (excise) tax

3.40. In 2019, the consumption (excise) tax (CT) accounted for 8% of total tax revenue (up from 7.1% in 2017). The CT continues to be levied on products that are considered to be harmful to human health, social order, and the environment; luxury goods; high-energy consumption and high-end products; and non-renewable and non-replaceable petroleum products. Tax rates vary depending on the product; they can be *ad valorem*, specific, or compound. There have been no changes to excise tax rates since China's previous Review (Table 3.5). As notified to the WTO, preferential CT rates were available for petroleum products produced with comprehensive utilization of resources, imported products exclusively used by disabled people, and refined oil.[47] Pending China's submission of its new notification to the WTO's Committee on Subsidies and Countervailing Measures, information was not provided by the authorities regarding new preferential CT rates or exemptions recently introduced.

Table 3.5 Consumption tax, March 2021

Product	Tax rate
Cigars	36%
Cigarettes	
Production procedure	
Price higher than CNY 70 per carton	56% plus CNY 0.003/cigarette
Price lower than CNY 70 per carton	36% plus CNY 0.003/cigarette
Wholesale	11% plus CNY 0.005/cigarette
Cut tobacco	30%

[45] Announcement of the Ministry of Finance and State Taxation Administration on the Tax and Fee Support Policies for the Film Industry and Other Industries (Announcement No. 25, 2020).

[46] Announcement of the Ministry of Finance, the State Taxation Administration, and the State Council Leading Group Office of Poverty Alleviation and Development on the Policy of Exemption of Value-Added Tax on Goods Donated for Poverty Alleviation (Announcement No. 55, 2019).

[47] WTO document G/SCM/N/343/CHN, 19 July 2019.

Product	Tax rate
Alcoholic drinks and liquor	
White spirit distilled from grain, potatoes or grapes	20% plus CNY 0.5/500 g (or per 500 ml)
Yellow rice wine	CNY 240/tonne
Beer made from malt, whose factory price of a value over or equal to CNY 3,000 (VAT excluded) per tonne	CNY 250/tonne
Beer made from malt, whose factory price of a value of less than CNY 3,000 (VAT excluded) per tonne	CNY 220/tonne
Other fermented alcoholic beverages	10%
Luxury cosmetics	15%
Precious jewellery, pearls, jade, and precious stone	
Gold, silver platinum jewellery, and diamonds	5%
Pearls, jade, and precious stones	10%
Firecrackers and fireworks	15%
Gasoline	
Motor gasoline and aviation gasoline (containing > 0.013 g of lead per litre)	CNY 1.52/litre
Motor gasoline and aviation gasoline (containing < 0.013 g of lead per litre)	CNY 1.52/litre
Diesel oil	CNY 1.2/litre
Aviation kerosene	CNY 1.2/litre
Naphtha	CNY 1.52/litre
Solvent	CNY 1.52/litre
Lubricants	CNY 1.52/litre
Fuel oil	CNY 1.2/litre
Motor vehicles	
Passenger vehicles with less than 9 seats with a cylinder capacity of:	
- less than 1,000 ml	1%
> 1,000 ml, but < 1,500 ml	3%
> 1,500 ml, but < 2,000 ml	5%
> 2,000 ml, but < 2,500 ml	9%
> 2,500 ml, but < 3000 ml	12%
> 3,000 ml, but < 4,000 ml	25%
- 4,000 ml or more	40%
Middle-size or light passenger vehicles for commercial purposes	5%
"Ultra-luxurious" vehicles	In addition to the CT for the production (import) based on the above rate, the CT for retail is levied at 10%
Motorcycles	
Those with a cylinder capacity of not more than 250 ml	3%
Those with a cylinder capacity of more than 250 ml	10%
Yachts	10%
Luxury watches, with a unit price higher than CNY 10,000	20%
Golf equipment	10%
Solid wood flooring	5%
Disposable chopsticks	5%
Batteries	4%
Paint	4%

Source: Information provided by the authorities.

3.1.4.3 Automobile Purchase Tax

3.41. Under the 2019 Automobile Purchase Tax Law, China levies a 10% tax on domestically produced and imported vehicles.[48] The 2019 Law replaces the 2000 Provisional Regulations Vehicle Purchase Tax. For domestic production, the tax is applied to the full price paid by the taxpayer to the seller, excluding VAT. For imported vehicles, the taxable price is the duty-paid price plus customs

[48] Automobile Purchase Tax Law. Viewed at: http://www.npc.gov.cn/englishnpc/c23934/202009/f0e542fd054f412c9af8ceef9298c573.shtml. Changes introduced by the 2019 Law: (i) adjusted the scope of taxation (from automobiles, motorcycles, trams, trailers, and agricultural transport vehicles to automobiles, trams, automobile trailers, and motorcycles with an engine displacement of more than 150 ml; and adjusted the types of taxable vehicles; (ii) abolished the maximum taxable price requirement; (iii) added the statutory exemption items; (iv) cancelled the paper tax clearance certificate of vehicle purchase tax; (v) revised the definition of non-transportation vehicles with fixed items; (vi) upgraded the legal level of tax refund provisions; and (vii) added provisions related to the coordination mechanism.

duty and CT. It is applied to the cost of the vehicle including the import tax and CT.[49] The tax does not apply to urban rail vehicles (e.g. subways and light railways), special wheeled machinery vehicles (e.g. loaders, graders, excavators, and bulldozers), cranes, forklifts, and electric motorcycles. Since 2014, the tax has been exempted for certain new energy vehicles (NEVs); this exemption will remain in place until end-2022. NEVs exempt from the tax/levy are administered by the Ministry of Industry and Information Technology (MIIT) and the State Taxation Administration through the regularly updated Catalogue of Models of New Energy Vehicles Exempted from Automobile Purchase Tax. Both domestically produced and imported NEVs that meet all the specific requirements (which relate to, *inter alia*, technical requirements and testing and services standards) can apply to be listed in the Catalogue, and all the Catalogue-listed models can enjoy tax exemptions.[50] As notified to the WTO, other preferential tax rates applied in 2017 and 2018 to urban public transportation enterprises that purchase public buses and trolleybuses, low emission cars, and trailers.[51] Pending China's submission of its new notification to the WTO Committee on Subsidies and Countervailing Measures, information was not available on whether these preferential tax policies remain in place or if any new preferential tax rates/exemptions have been recently introduced.

3.1.4.4 Port construction fees

3.42. Until 1 March 2020, China levied port construction fees on imported and exported goods.[52] For domestic export containers and inland containers, the fees were CNY 32 per 20-foot container and CNY 48 per 40-foot container. For foreign import and export containers, the fees were CNY 64 per 20-foot container and CNY 96 per 40-foot container. The fee for other non-standard containers, except 20-foot and 40-foot containers, was levied according to that of similar types of containers (for non-standard containers less than 30 feet, the fee was levied according to that of 20-foot containers; for non-standard containers of 30 feet and above, the fee was levied according to that of 40-foot containers). The authorities indicate that a temporary decision was taken not to collect these fees from 1 March to 31 December 2020, followed by a permanent decision to abolish fees from 1 January 2021.

3.1.5 Import prohibitions, restrictions, and licensing

3.43. China continues to classify imports into three categories: not restricted, restricted, and prohibited. The import of restricted goods is administered through licences or import quotas, although the latter were not applied during the review period. The licensing system does not differentiate between the origins of products unless otherwise provided for in RTAs entered into by China.[53]

3.1.5.1 Import prohibitions

3.44. According to the Foreign Trade Law (last amended in 2016), China may maintain import prohibitions on the grounds of protection of human health or safety, protection of the lives or health of animals and plants, protection of the environment, and implementation of measures related to the import or export of gold or silver.

3.45. China notified to the WTO its import prohibitions in place for the period 2018-20 (Table 3.6). These prohibitions applied to certain toxic substances and wild animal products; certain old/second-hand mechanical and electrical equipment; certain hazardous chemicals, pesticides, and persistent organic pollutants; mercury-added products; certain solid wastes; ractopamine; certain types of filament lamp; and charcoal imported from Somalia. This list of prohibited products is also contained

[49] For full details, see Automobile Purchase Tax Law, Article 6.

[50] The exemption criteria for the period 2017-20 are contained in the Announcement of the Ministry of Finance, the State Taxation Administration, the MIIT, and the Ministry of Science and Technology on the Exemption of Automobile Purchase Tax for New Energy Vehicles (Announcement No. 172, 2017). Seemingly, the exemption was extended until end-2022. *Global Times*, "China Scraps Vehicle Purchase Tax for all NEVs", 22 April 2020. Viewed at: https://www.globaltimes.cn/content/1186457.shtml#:~:text=China%20has%20already%20scrapped%20the,to%20all%20NEVs%20this%20time.

[51] WTO document G/SCM/N/343/CHN, 19 July 2019.

[52] Ministry of Finance and Ministry of Transport Administrative Measures for the Collection and Use of Port Construction Fees (Cai Zong No. 2011, 2019).

[53] WTO document G/LIC/N/3/CHN/18, 30 January 2020.

in MOFCOM's Catalogue of Commodities Subject to Import Prohibition.[54] In 2018, MOFCOM and the GACC adjusted the list of used mechanical and electrical products prohibited from import, by removing from the Catalogue used mechanical and electrical products such as aircraft engines, ship engines, non-medical X-ray equipment, and computer gamespot.[55]

Table 3.6 Import prohibitions notified to the WTO for period 2018-20

Product	Tariff line code(s) affected, based on HS17	WTO justification and grounds for restriction	National legal basis and entry into force
Certain toxic substances and wild animal products	ex0506, ex0507, ex1302, ex2903	Article XX of GATT 1994	Former Ministry of Foreign Trade and Economic Cooperation (MOFTEC) Announcement No. 19, 2001
Certain old/second-hand mechanical and electrical equipment	ex7311, ex7321, ex7613, ex8402, ex8403, ex8404, ex8416, ex8417, ex8519, ex8520, ex8521, ex9018, ex9022, ex9504, ex8407, 84078408, 87	Article XX of GATT 1994	MOFTEC, GACC, and AQSIQ Joint Announcement No. 37, 2001
Certain hazardous chemicals, pesticides, persistent organic pollutants, and mercury-added products	ex2524, ex2903, ex2908, ex2910, ex2915, ex2918, ex2919, ex2921, ex2924, ex2925, ex2932, ex2914, ex2909, ex2920, ex3808, ex3824, ex8506, ex8535, ex8536, ex8539, ex3304, ex3401, ex3808, ex9025, ex9026, ex9018	Article XX of GATT 1994, the Rotterdam Convention, the Stockholm Convention, and the Minamata Convention	MOFCOM, GACC, and former State Environmental Protection Administration (SEPA) Joint Announcement No. 116, 2005; MOFCOM, GACC, and Ministry of Ecology and Environment (MEE) Joint Announcement No. 73, 2020
Certain solid wastes (also including other solid waste of which tariff lines unspecified)	ex0501, ex0502, ex0505, ex0506, ex0507, ex0511, ex1522, ex1703, ex2517, ex2525, ex2530, ex2618, ex2619, ex2620, ex2621, ex2710, ex2713, ex2804, ex3006, ex3804, ex3825, ex4004, ex4017, ex4115, ex4707, ex6309, ex6310, ex7001, ex7112, ex7401, ex7802, ex8102, ex8105, ex8107, ex8110, ex8111, ex8112, ex8548, ex2520, ex2524, ex6806, ex8415, ex8418, ex8450, ex8469 to ex8473, ex8508-ex8510, ex8516, ex8517, ex8518, ex8539, ex9504, ex8519 to ex8531, ex8532 to ex8534, ex8540 to ex8542, ex9018-ex9022, ex84, ex85, ex90, and other solid waste unspecified ex3915, ex5103, ex5104, ex5202, ex5505	Article XX of GATT 1994, the Basel Convention	Ministry of Environmental Protection (MEP), MOFCOM, National Development and Reform Commission (NDRC), GACC, and AQSIQ Joint Announcement No. 39, 2017
Certain solid wastes	ex2618, ex2619, ex3915, ex7204, ex7404, ex7602, ex8908	Article XX of GATT 1994, the Basel Convention	MEE, MOFCOM, NDRC, and GACC Joint Announcement, No. 6, 2018
Certain solid wastes	ex4401, ex4501, ex7204, ex8101, ex8104, ex8106, ex8108, ex8109, ex8112, ex8113	Article XX of GATT 1994, the Basel Convention	MEE, MOFCOM, NDRC, and GACC Joint Announcement, No. 6, 2018

Product	Tariff line code(s) affected, based on HS17	WTO justification and grounds for restriction	National legal basis and entry into force
Ractopamine	29225020	Article XX of GATT 1994	MOFCOM and GACC Joint Announcement No. 110, 2009
Certain type of filament lamp	ex8539	Article XX of GATT 1994	NDRC, MOFCOM, GACC, State Administration for Industry and Commerce (SAIC), and AQSIQ Joint Announcement No. 28, 2011
Charcoal imported from Somalia	4402	Article XXI of GATT 1994, United Nations S/RES/2036 (2012)	MOFCOM Announcement No. 27, 2012

Source: WTO document G/MA/QR/N/CHN/5/Rev.1, 15 February 2019; and information provided by the authorities.

3.46. Since 1 January 2021, imports of all solid waste products have been prohibited, and the previous regime for allowing imports of certain wastes under licensing conditions has been terminated.[56] These wastes were contained in the Catalogue of Restrictive Solid Waste (that can be used as raw materials) and the Catalogue of Non-restrictive Solid Waste. During the review period, questions and concerns about China's changes to measures restricting and prohibiting imports of solid waste were raised in the WTO Committee on Import Licensing by the European Union, the United States, Canada, the Republic of Korea, Australia, and Japan. Concerns related to, *inter alia*, the impact of these measures on global recycling processing capacity, and the apparent non-application of the same bans and restrictive contaminant standards to domestically sourced solid wastes. China was urged to ensure transparency by notifying measures, both introduced and planned, and to consider less trade-restrictive measures. In response, China has drawn attention to, *inter alia*, pollution in China and the imperative of limiting the negative effects of solid waste.[57] Certain recycling materials for brass, iron-steel materials, copper, and cast aluminium alloys may be imported if they meet the required standards.[58]

3.1.5.2 Import licensing requirements

3.47. China's import licensing system includes automatic and non-automatic import licences. In addition, licences are used to allocate TRQs (Section 4.1.2). Furthermore, China applies import licences to specific dual-use substances for the purposes of safeguarding national security and public interest and under relevant international agreements.[59] Most import licensing requirements are in HS Sections 17 (transport equipment) and 3 (animal/vegetable fats and oils) (Chart 3.3).

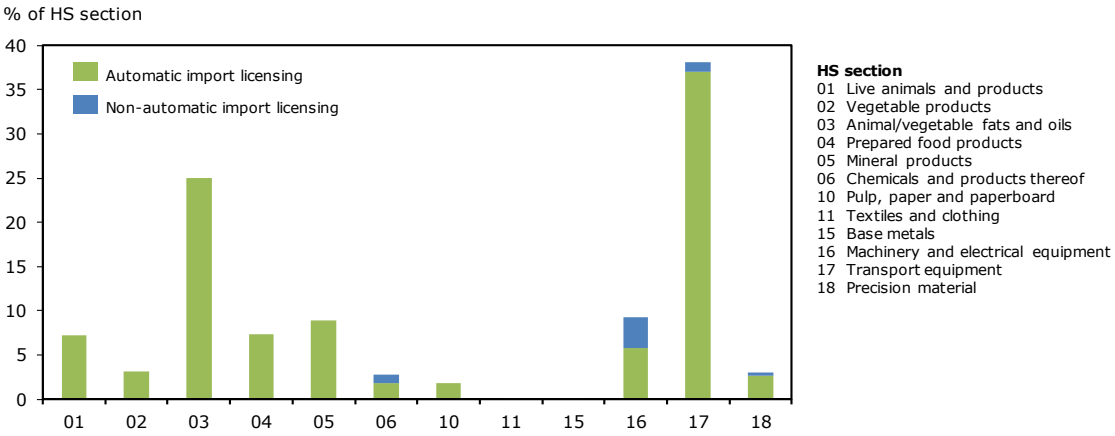
[56] Ministry of Ecology and Environment, MOFCOM, NDRC, and GACC Announcement on Relevant Issues Regarding Complete Prohibition on Imported Solid Waste (Announcement No. 53, 2020). Viewed at: https://www.mee.gov.cn/xxgk2018/xxgk/xxgk01/202011/t20201125_809835.html.

[57] WTO documents G/LIC/M/50, 15 January 2020; G/LIC/M/49, 21 August 2019; G/LIC/M/48, 14 March 2019; and G/LIC/M/47, 25 September 2018.

[58] MEE, *Announcement on Issues Related to Standardizing the Management on the Imports of Recycling Materials for Brass, Recycling Materials for Copper and Recycling Materials for Cast Aluminium Alloys*. Viewed at: https://www.mee.gov.cn/xxgk2018/xxgk/xxgk01/202010/t20201019_803869.html. The texts of the relevant national standards may be viewed at: http://openstd.samr.gov.cn.

[59] WTO document G/LIC/N/3/CHN/18, 30 January 2020; and GACC Announcement No. 68, 2019, on the Issuance of the Catalogue of Dual-Use Items and Technologies Subject to Import and Export Licensing. Viewed at: http://cys.mofcom.gov.cn/article/zcgz/201912/20191202927099.shtml.

Chart 3.3 Import licensing by HS section, 2020



Note: Calculations are based on the 2020 tariff schedule at 8-digit level.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.1.5.2.1 Automatic import licensing requirements

3.48. A Catalogue of Goods Subject to Automatic Import Licensing is issued annually.[60] All commodities listed in the Catalogue can be imported freely; automatic import licences are maintained only for monitoring purposes. In 2020, 24 categories of goods were subject to automatic import licensing requirements implemented by MOFCOM (comprising 356 tariff lines at the HS 10-digit level)[61], and a further 18 categories of goods (comprising 206 tariff lines at the HS 10-digit level)[62] were subject to automatic import licensing requirements, implemented by provincial-level local competent commercial departments or local and departmental electromechanical offices, entrusted by MOFCOM. Changes to the Catalogue during the review period involved the removal of licensing requirements for 15 product types totalling 118 HS codes, including steam turbines and automobile products[63], and the cancellation of automatic licensing measures for bauxite and aluminium oxide (two HS codes) in January 2020.

3.49. There have been no major changes in the application procedures and terms of automatic import licences since the previous Review.[64] The validity of an automatic import licence is six months; it can be extended in certain cases. Applications can be filed with MOFCOM or its entrusted institutions. Licence applications shall be immediately approved by the issuing authority (or within a maximum of 10 working days under special circumstances). Automatic import licences

[60] Catalogue of Goods Subject to Automatic Import Licensing (2020), MOFCOM and GACC Joint Announcement No. 63, 2019. Viewed at: http://images.mofcom.gov.cn/wms/202001/20200108224418706.pdf.

[61] These categories are beef; pork; lamb; fresh milk; milk powder; cassava; barley; sorghum; soybeans; rapeseed; sugar (out-of-quota); corn distillers grains; soybean meal; tobacco; crude; refined oil; fertilizer; diacetic acid; fibre tow; tobacco machinery; mobile communication products; satellite, radio, and TV equipment; car products; aircraft; and ships.

[62] These categories are broiler products, vegetable oil, iron ore, copper concentrate, coal, refined oil, fertilizer, steel, construction machinery, printing machines, textile machinery, metal smelting and processing equipment, metal processing machine tools, electrical equipment, car products, aircraft, ships, and medical equipment.

[63] Products for which licensing requirements were removed included some mobile communication products, some ships, game consoles, steam turbines, non-vehicle engines and key parts, hydraulic turbines and other power plants, chemical plants, food machinery, paper machinery, some textile machinery, some metal smelting and processing equipment, electrical equipment, railway locomotives, some automotive products, and some medical equipment.

[64] For details regarding the procedure to obtain automatic import licences, see China's last notification under Article 7.3 of the Agreement on Import Licensing Procedures (WTO document G/LIC/N/3/CHN/18, 30 January 2020).

are not transferable. Enterprises are allowed, and encouraged, to apply for and receive import licences online.[65]

3.1.5.2.2 Non-automatic import licensing requirements

3.50. Products subjected to non-automatic licences are listed in the Catalogue of Import Goods Subject to Licensing.

3.51. In 2020, the Catalogue of Import Goods Subject to Licensing listed 118 tariff lines at the HS 10-digit level that were subject to non-automatic import licensing (compared with 139 tariff lines at the HS 10-digit level in 2017).[66] During the review period, some used mechanical and electrical products, such as engineering machinery, electric power and electrical equipment, and textile machinery, were deleted from the Catalogue. As noted in previous Reviews, imports subject to non-automatic licences mainly include used mechanical and electronic equipment, and substances that deplete the ozone layer. The purpose of non-automatic import licensing for ozone-depleting substances is to fulfil China's obligations under the Montreal Protocol on Substances that Deplete the Ozone Layer, and the licensing requirements with respect to used machinery are to serve social interests and to protect the environment and consumer health and security.[67] The procedures to obtain a non-automatic import licence have remained unchanged since the previous Review.

3.1.6 Anti-dumping, countervailing, and safeguard measures

3.1.6.1 Anti-dumping measures

3.52. As noted in previous Reviews, MOFCOM is the agency responsible for initiating and conducting anti-dumping investigations and determining the existence of dumping and of injury, and their causal link. MOFCOM's Trade Remedy and Investigation Bureau (TRB) is responsible for anti-dumping, countervailing duty, and safeguards investigations and determinations (with the exception of anti-dumping investigations involving agricultural products, where the injury investigation is conducted jointly by MOFCOM and the Ministry of Agriculture).

3.53. The legal framework for the conduct of anti-dumping investigations and the application of anti-dumping measures remains the Foreign Trade Law[68], the Regulations on Anti-Dumping[69], and a number of published Rules, some of them provisional.[70] During the review period, three of these Rules were amended (see below); there have been no other changes to the anti-dumping procedures that are covered in detail in China's previous Reviews.[71] The authorities indicate that China is preparing notification to the WTO regarding these amended rules. In 2018, China notified to the WTO its Interim Rules on Implementation of the World Trade Organization Ruling in Disputes Concerning Trade Remedy Measures, which entered into force on 29 July 2013.[72]

3.54. On 4 April 2018, MOFCOM promulgated the Rules on Interim Review of Dumping and Dumping Margins (Interim Review Rules), which replace the Interim Rules for the Mid-Term Review of Dumping and Dumping Margins that have been in place since 2002. They introduced various changes. First, they refined and clarified provisions relating to the rights and obligations of the investigating agency and interested parties, including in relation to: (i) clarifying the timing for filing a periodical review application to provide an opportunity for a periodical review application under special circumstances; (ii) clarifying that exporters and manufacturers must submit evidence that proves the necessity of a review; (iii) clarifying the period for domestic industry to request evidence

[67] WTO document G/LIC/N/3/CHN/18, 30 January 2020.
[68] WTO document G/ADP/N/1/CHN/2/Suppl.4, 1 December 2004.
[69] WTO document G/ADP/N/1/CHN/2/Suppl.3, 20 October 2004.
[70] WTO documents G/ADP/N/1/CHN/2/Suppl.1, 18 February 2003; G/ADP/N/1/CHN/2/Suppl.2, 14 April 2003; G/ADP/N/1/CHN/2/Suppl.4, 1 December 2004; G/ADP/N/1/CHN/2/Suppl.5, 11 January 2007; and G/ADP/N/1/CHN/2/Suppl.6, 19 October 2007.
[71] WTO document WT/TPR/S/375/Rev.1, 14 September 2018; and WT/TPR/S/342/Rev.1, 12 October 2016.
[72] WTO document G/ADP/N/1/CHN/2/Suppl.7, 3 October 2018.

materials to be submitted during the review; (iv) clarifying that the exporter/producer can submit an application for an interim review; and (v) cancelling the provision that the periodical review is not completed as an automatic end-of-term review. Second, they adopted clearer and stricter periodical review procedures and time requirements to ensure investigation efficiency. Third, they incorporated provisions to be consistent with WTO rules (e.g. improving the description of the sampling survey and the disclosure before final ruling).[73]

3.55. The Rules on Questionnaires in Anti-Dumping Investigations, which came into force on 4 May 2018, are the basis for conducting questionnaire investigations in anti-dumping investigations and replaced rules in place since 2002. Changes introduced related to: (i) extending the application of questionnaire surveys beyond determining dumping and dumping margins to include determining damage issues; (ii) clarifying the rights and obligations of the investigating agency and interested parties[74]; (iii) deleting the content that should be stated in the specific questionnaire descriptions and requirements; (iv) setting questionnaire survey procedures and time requirements; and (v) incorporating WTO-consistent provisions into the rules relating to handling of information that requires confidentiality, providing interested parties with an opportunity to comment, and setting out the conditions for applying facts available.[75]

3.56. The 2018 Rules for Hearing of Anti-dumping and Anti-Subsidy Investigations also came into force on 4 May 2018.[76] The Rules replaced three rules governing such hearings in place since 2002.[77] Changes introduced related to: (i) the creation of a unified hearing procedures (there is no longer a distinction between different types of investigations (anti-dumping, countervailing, and damage)); (ii) the refining of procedural provisions and clarification of rights and obligations of the investigating agency and interested parties (including with respect to the investigating agency's consideration for the need for confidentiality, its notification of the holding of hearings through an online announcement, its explanation of reasons for not holding a hearing, and the provision of opportunities for interested parties to express their opinions); (iii) introduction of clearer and stricter hearing procedures and time requirements; and (iv) introduction of WTO-consistent provisions relating to interested parties' rights to express their opinions/reasons to the investigating agency through other means if they are not physically present at the hearing.[78]

3.57. China initiated 34 anti-dumping investigations from January 2018 to end-December 2020 (Table 3.7). These investigations related to the following products/trading partners: polyphenylene ether (United States, August 2020); wines in containers holding 2 litres or less (Australia, August 2020); certain monoalkyl ethers of ethylene glycol and propylene glycol (United States, August 2020); polyvinyl chloride (PVC) (United States, August 2020); ethylene-propylene-non-conjugated diene rubber or ethylene propylene diene monomer (European Union, Republic of Korea, and United States, June 2019); polyphenylene sulphide (Japan, Republic of Korea, Malaysia, and United States, May 2019); methionine (Japan, Malaysia, and Singapore, April 2019); m-Cresol (European Union, Japan, and United States, July 2019); n-Propanol (United States, July 2019); ortho-dichlorobenzene (India and Japan, January 2018); phenol (European Union, Japan, Republic of Korea, Thailand, and United States, March 2018); barley (Australia, November 2018); stainless steel billet and hot-rolled stainless steel plate (coil) (European Union, Indonesia, Japan, and Republic of Korea, July 2018); 7-phenylacetamido-3-chloromethyl-3-cephem-4-carboxylic acid p-methoxybenzyl ester (India, November 2018); vertical machining centres (Japan and Chinese Taipei, October 2018); and grain sorghum (United States, February 2018).

[73] MOFCOM. Viewed at: http://english.mofcom.gov.cn/article/policyrelease/announcement/201804/20180402734712.shtml. The Interim Review Rules stipulate the meaning of the periodical review, the conditions and procedures for filing a case, the procedures and standards for deciding to file a case, the scope of investigation for the review period, calculation of dumping margin and price commitments in review, time-limit, and announcement of review and effectiveness of measures.

[74] Investigating agencies under the amended rules are required to notify and explain to interested parties the reasons for not accepting submitted information and give them the opportunity to explain further. The number of response sheets submitted by interested parties was reduced to lift the burden on enterprises. Interested parties are now allowed to submit their own answer sheets.

[75] MOFCOM. Viewed at: http://gpj.mofcom.gov.cn/article/bi/bj/gzjd/201804/20180402729842.shtml.

[76] These rules stipulate hearing procedures, including the holding method, application time-limit and method, decision and notification, registration and participation, and submission of written materials.

[77] The three rules were the Interim Rules for Anti-dumping Investigation Hearings, Interim Rules for Countervailing Investigation Hearings, and Industrial Damage Hearing Rules.

[78] MOFCOM. Viewed at: http://gpj.mofcom.gov.cn/article/bi/bj/gzjd/201804/20180402729839.shtml.

Table 3.7 Anti-dumping investigations and measures, January 2018-December 2020

	2018	2019	2020
Investigation initiations	16	14	4
Provisional measures	22	9	5
Definitive measures	23	13	2
Expired/terminated measures	4	11	6

Source: WTO documents G/ADP/N/350/CHN, 9 March 2021; G/ADP/N/342/CHN, 16 October 2020; G/ADP/N/335/CHN, 21 April 2020; G/ADP/N/328/CHN, 23 October 2019; G/ADP/N/322/CHN, 12 April 2019; and G/ADP/N/314/CHN, 22 October 2018.

3.58. China's anti-dumping measures on the following products were terminated during the review period: methyl methacrylate (MMA) (Singapore, Thailand, and Japan, December 2020); adipic acid (United States, European Union, and Republic of Korea, October 2020); pyridine (India and Japan, November 2019); methyl ethyl ketone (Japan and Chinese Taipei, November 2019); polyvinyl chloride (Japan, Republic of Korea, Chinese Taipei, and United States, October 2019); cellulose pulp (Brazil, Canada, and United States, April 2019); solar-grade polysilicon (European Union, November 2018); toluene diisocyanate (European Union, March 2018); sulfamethoxazole (India, June 2018); and broiler products (United States, February 2018).[79]

3.59. As at end-December 2020, China was enforcing 113 anti-dumping definitive measures. Imports from 16 countries or territories (counting the European Union as one when measures are applied to all EU member States) were affected. Among all affected trading partners, imports from the United States were subject to the largest number of anti-dumping measures, followed by Japan, the European Union, and the Republic of Korea, reflecting the same trend as in previous years (Table 3.8).

Table 3.8 Anti-dumping measures in force, by trading partner/region, January 2018-December 2020

Trading partner/region	2018	2019	2020
United States	23	22	24
Japan	20	20	21
European Union	15	17	17
Korea, Republic of	13	15	16
Chinese Taipei	10	8	7
India	6	6	6
Singapore	4	4	4
Thailand	5	6	6
Turkey	1	1	1
Australia	0	0	1
Brazil	2	2	2
Canada	1	0	0
France	1	1	0
Indonesia	0	1	1
Italy	1	1	0
Malaysia	3	3	4
Russian Federation	1	1	1
Saudi Arabia, Kingdom of	1	1	1
South Africa	1	1	1
Total	**108**	**110**	**113**

Note: Figures for 2018-20 reflect anti-dumping measures in force on 31 December of each year. Undertakings and duties are considered as separate measures.

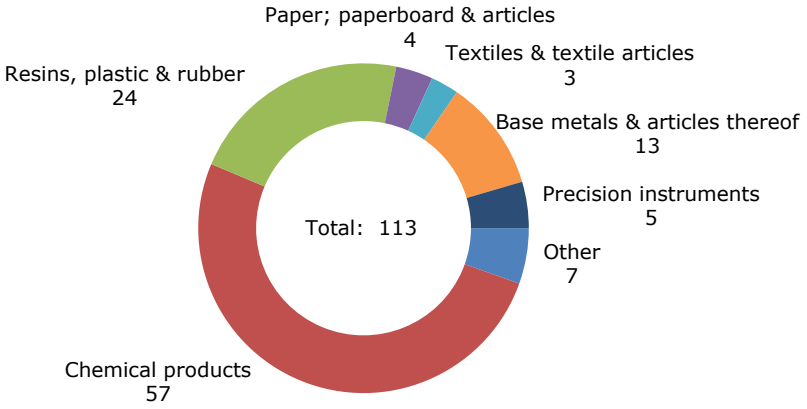
Source: WTO documents G/ADP/N/350/CHN, 9 March 2021; G/ADP/N/335/CHN, 21 April 2020; and G/ADP/N/322/CHN, 12 April 2019.

3.60. China's longest-standing anti-dumping measures in force relate to chloroprene rubber from the European Union, Japan, the Republic of Korea, and the United States; dispersion unshifted single-model optical fibre from Japan and the Republic of Korea; potato starch from the European Union; nonyl phenol from India and Chinese Taipei; paper for electrolytic capacitors from Japan; and bisphenol-A from Japan, the Republic of Korea, Singapore, and Chinese Taipei.

[79] WTO documents G/ADP/N/335/CHN, 21 April 2019; G/ADP/N/328/CHN, 23 October 2019; G/ADP/N/322/CHN, 12 April 2019; and G/ADP/N/314/CHN, 23 October 2018.

3.61. Chemical products continue to account for most measures in force at end-December 2020, followed by products made of resin, plastic, and rubber (Chart 3.4).

Chart 3.4 Anti-dumping measures in force, by product, 31 December 2020



Note: Other includes live animals and products (two measures); vegetable products (two measures); prepared foodstuff (one measure); and glassware (two measures).

Source: WTO notifications.

3.1.6.2 Countervailing measures

3.62. The legal framework governing countervailing measures remains the Foreign Trade Law (last amended in 2016), the Regulations on Countervailing Measures (last amended in 2004), and a number of published rules. There have been no changes to existing rules, nor have new ones been introduced, since January 2018. In 2018, China notified to the WTO its Interim Rules on Implementation of the World Trade Organization Ruling in Disputes Concerning Trade Remedy Measures, which entered into force on 29 July 2013.[80]

3.63. There have been no changes to the procedures for countervailing investigations. These procedures are similar to those applied for anti-dumping investigations; the main differences are described in China's Trade Policy Review Report for its previous Review.[81]

3.64. The number of China's countervailing investigations initiated and measures in force have remained relatively constant over the past five years (Table 3.9). Eight countervailing investigations were initiated during the review period (since 2018), one of which then terminated due to public interest considerations and one of which was terminated due to withdrawal by the applicant (Table 3.10). In January 2019, China undertook a sunset review of countervailing measures on solar-grade polysilicon from the United States, resulting in continuation of the definitive duties imposed in January 2020. In April 2019, China undertook a *rebus sic stantibus* review of countervailing measures on distiller dried grains with solubles from the United States, resulting in maintaining the original measures.

3.65. Details of China's RTA provisions on CV measures are contained in the Trade Policy Review Report for its previous Review.[82]

[80] WTO document WT/SCM/N/1/CHN/1/Suppl.5, 3 October 2018.
[81] WTO document WT/TPR/S/375/Rev.1, 14 September 2018.
[82] WTO document WT/TPR/S/375/Rev.1, 14 September 2018.

Table 3.9 Countervailing investigations and measures, 2016-20

	2016	2017	2018	2019	2020
Investigation initiations	1	1	3	1	4
Provisional measures	1	0	1	0	2
Definitive measures	0	1	1	0	2
Expired/terminated measures	0	0	2	0	0
Measures in force (end-period)	4	5	4	4	6

Source: WTO documents G/SCM/N/371/CHN, 26 February 2021; G/SCM/N/363/CHN, 16 October 2020; G/SCM/N/356/CHN, 13 March 2020; G/SCM/N/349/CHN, 23 October; G/SCM/N/342/CHN, 9 April 2019; G/SCM/N/334/CHN, 22 October 2018; G/SCM/N/328/CHN, 6 April 2018; G/SCM/N/313/CHN, 1 March 2017; and WT/TPR/S/375/Rev.1, 14 September 2018.

Table 3.10 Countervailing investigations initiated during the review period, as at 31 December 2020

Partners	Product	Initiation	Provisional measures	Final measures	Import volume
Australia	Barley	21/12/2018	-	19/05/2020 6.9% All others 6.9%	61.57% of apparent domestic consumption
	Wines in containers holding 2 litres or less	31/08/2020	11/12/2020 6.3%-6.4% All others 6.4%	-	13.36% of apparent domestic consumption
India	7-phenylacetamido-3-chloromethyl-3-cephem-4-carboxylic-acid p-methoxybenzyl ester	26/11/2018	-	None (application withdrawn on 25/05/2020)	100% of total imports
United States	polyvinyl chloride (PVA)	14/10/2020	-	-	1.54% of apparent domestic consumption
	Certain monoalkyl ethers of ethylene glycol and propylene glycol	14/09/2020	-	-	18.29% of apparent domestic consumption
	Polyphenylene ether	14/08/2020	-	-	15.18% of apparent domestic consumption
	n-Propanol (NPA)	29/07/2019	09/09/2020 34.2%-37.7% All others 37%	18/11/2020 34.2%-37.7% All others 37%	67.43% of total imports
	Grain sorghum	04/02/2018	-	None (Terminated – Public Interest) 18/05/2018	-

- None.

Source: WTO documents G/SCM/371/CHN, 26 February 2021; G/SCM/N/363/CHN, 16 October 2020; G/SCM/N/356/CHN, 13 March 2020; G/SCM/N/349/CHN, 23 October 2019; G/SCM/N/342/CHN, 9 April 2019; and G/SCM/N/334/CHN, 22 October 2018.

3.1.6.3 Safeguard measures

3.66. During the review period, China did not initiate any new safeguard investigations. As indicated in the previous Review, China imposed a safeguard measure on sugar on 22 May 2017.[83] China notified to the WTO that the measure would remain in force for three years (i.e. until May 2020). China did not notify an extension of the safeguard measure. On 16 October 2018, Brazil requested

[83] The investigation was initiated in September 2016 and definitive safeguard measures in the form of an additional *ad valorem* duty of 45% were imposed on 22 May 2017. The duty applied to imports outside the existing quota and were to be reduced to 35% within three years (WTO document WT/TPR/S/375/Rev.1, 14 September 2018; see also WTO documents G/SG/N/8/CHN/2/Suppl.1, G/SG/N/10/CHN/2, and G/SG/N/11/CHN/2, 23 May 2017). China subsequently notified the WTO that exemptions from this measure applicable to certain developing countries had been revoked, and that the safeguard measure would apply to imports of sugar from all developing countries (regions) from 1 August 2018 (WTO documents G/SG/N/8/CHN/2/Suppl.2, G/SG/N/10/CHN/2/Suppl.1, and G/SG/N/11/CHN/2/Suppl.1, 18 July 2018).

consultations with China pursuant to the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU) on certain Chinese measures concerning imports of sugar.[84] This request covers: (i) China's 22 May 2017 safeguard measure on imported sugar; (ii) China's administration of its TRQ for sugar; and (iii) China's so-called "automatic import licensing" system for out-of-quota sugar. The European Union, Thailand, and Guatemala requested to join the consultations.[85] A panel has not been established as of the writing of this report.

3.67. In 2018, China notified to the WTO its Interim Rules on Implementation of the World Trade Organization Ruling in Disputes Concerning Trade Remedy Measures, which entered into force on 29 July 2013.[86] Other than this new information, the laws and regulations governing safeguard measures in China did not change during the review period. The Foreign Trade Law (last amended in 2016), the Regulations on Safeguards (last amended in 2004), and other published rules provide the regulations on safeguard investigations and the application of measures.

3.68. As noted in previous Reviews, MOFCOM, specifically the TRB, is in charge of investigating and determining if there has been an increase in imports and if injury has been caused. If an investigation involves agricultural goods, the investigation and determination must be done jointly with the Ministry of Agriculture. Investigation procedures have not changed since, and are detailed in, China's Trade Policy Review Report for its previous Review, as are details on safeguard provisions in the RTAs to which China is signatory.[87]

3.2 Measures Directly Affecting Exports

3.2.1 Customs procedures and requirements

3.69. The general framework of export procedures, including registration and documentation, remained largely unchanged during the review period. Registration formalities for exports of goods for commercial purposes are similar to those for imports and governed by the same regulations (Section 3.1.1).

3.70. An exporter must register as a foreign trade operator with MOFCOM or its authorized bodies, before filing customs declarations. Export declarations must be made on paper or in electronic format. As at the time of the previous Review, declarations can be made either by the consignor, or by a customs declaration enterprise entrusted by the consignor. On 1 January 2020, the authorities established a paperless application system for export licences and customs clearance operations for goods subject to exports control.[88] Exporters of the specified goods may choose to adopt paper or paperless operations. On 9 September 2019, the same system was established for export licence application of used cars.[89]

3.71. As stipulated by the Law on Inspection of Import and Export Commodities, exporters must comply with the requirements of the Catalogue of Import and Export Commodities Subject to Compulsory Inspection, which is regularly amended to add or subtract commodities. The inspection of import and export commodities aims to protect the health and safety of human beings, protect the life and health of animals or plants, protect the environment, prevent fraud, and safeguard national security. The import and export commodities that are included in the Catalogue shall be inspected by Customs. For cabins and containers used for the exports of perishable food, the carrier or the packing unit must apply for inspection before loading.[90]

3.72. Some items, such as dangerous chemicals, fireworks, lighters, food products, and rare earths, are subject to export inspection. These goods must be inspected where they are produced. The packaging of the exports of dangerous chemicals or goods must also undergo inspection and tests.

[84] WTO document WT/DS568/1, 22 October 2018.
[85] WTO documents WT/DS568/2, 2 November 2018; and WT/DS568/3-4, 5 November 2018.
[86] WTO document G/SG/N/1/CHN/2/Suppl.5, 3 October 2018.
[87] WTO document WT/TPR/S/375/Rev.1, 14 September 2018.
[88] MOFCOM, MOFCOM and GACC Notice No. 64, 2019.
[89] Shang Ban Mao Han No. 297, 2019.
[90] FAO, *Law of the People's Republic of China on Import and Export Commodity Inspection*. Viewed at: http://www.fao.org/faolex/results/details/en/c/LEX-FAOC152646/.

3.73. Under China's risk management system, enterprises are classified into different groups based on risk analysis. As with import procedures, customs inspection and supervision depend upon the enterprise's rating (Section 3.1.1). Goods exported by high-risk enterprises and other high-risk goods (based on risk analysis) are inspected, while other exports are released through fast-track clearance or a "low-risk examination".

3.74. Following the global outbreak of the COVID-19 pandemic, China launched a series of trade facilitation and compliance measures with a view to, *inter alia*, containing COVID-19, maintaining trade flows of medical supplies, and minimizing the disruption caused by COVID-19. An emergency plan was adopted to further streamline customs procedures, including inspections and quarantine, and reduce port charges.[91] In February 2020, the GACC rolled out 10 measures to support new importers and exporters to overcome challenges relating to the pandemic, including the simplification of business registration and clearance formalities, optimization of pre-export control and certification services, and the supply of up-to-date market information.[92]

3.75. The authorities also implemented more stringent control measures on enterprises involved in the export of COVID-19-related test kits and other medical devices. On 31 March 2020, MOFCOM, the GACC, and the National Medical Products Administration issued Announcement No. 5, 2020, on Ensuring the Orderly Export of Medical Supplies[93]; subsequently, on 25 April 2020, MOFCOM, the GACC, and the State Administration for Market Regulation (SAMR) issued Announcement No. 12, 2020, on Reinforcing Quality Regulation on Exported Supplies for COVID-19 Response.[94] The Announcements introduced a new quality verification procedure for the export of medical products, including a requirement to provide a valid medical device product registration certificate in China. In addition, exporters must provide proof that the products meet the quality standards of the importing country.[95]

3.2.2 Taxes, charges, and levies

3.76. China applies export duties in accordance with the Regulations on Import and Export Tariffs. They are applied with a view to protecting the domestic environment and supporting the effective utilization and sustainable development of energy and scarce resources. Interim tariff rates may be applied to export goods within a certain period. The State Council shall establish the Customs Tariff Commission to decide on the goods subject to interim tariff, the tariff rates, and the time-limit. The authorities state that interim export tariff rates are adjusted as appropriate based on national economic development considerations.

3.77. Export duties are calculated based on the transaction value of exports, plus transport-related fees, and insurance cost. In 2020, all export duties were *ad valorem*. Certain items are subject to the interim export tariff levied at a rate of zero.

3.78. As at January 2021, 102 tariff lines (at the 8-digit level) were subject to statutory export duties, unchanged since 2015, while 75 tariff lines carried interim duties, down from 180 in 2017 (Table 3.11). The highest tax rate (50%) applies to tin ores and concentrates (HS 2609).

[91] UNCTAD, *Case Study: China's Trade Facilitation Responses to the COVID-19 Pandemic*, 22 May 2020. Viewed at: https://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=2328.

[92] GACC, *GACC Launches Facilitative Measures as Foreign-Trade Businesses Begin to Resume Operations*, 19 February 2020. Viewed at: http://english.customs.gov.cn/Statics/8f0f8824-eef2-492b-ace6-77d84bf12f1f.html.

[95] National Medical Products Administration. Viewed at: https://www.nmpa.gov.cn/. The updated lists of products covered by the Announcements are available on the website of the China Chamber of Commerce for Import and Export of Medicines and Health Products (www.cccmhpie.org.cn).

Table 3.11 Export duties by type and HS chapter, 2020

HS chapter	Statutory duties		Interim duties	
	No. of lines	Range %	No. of lines	Range %
Total	102	20-50	75	0-35
03 Fish and crustaceans	1	20	0	n.a.
05 Products of animal origin, n.e.s.	4	40	1	0
26 Ores, slag and ash	7	20-50	2	0-20
28 Inorganic chemicals	3	20-30	1	10
29 Organic chemicals	1	40	1	0
41 Raw hides and skins	2	20	0	n.a.
72 Iron and steel	17	20-40	5	10-20
74 Copper and articles thereof	32	30	32	0-15
75 Nickel and articles thereof	4	40	4	5-15
76 Aluminium and articles thereof	24	20-30	24	0-15
79 Zinc and articles thereof	4	20	4	0-15
81 Other base metals	3	20	1	5

n.a. Not applicable.

Note: Tariff lines where export duties are only partially applied are included.

Source: Customs Tariff of Import and Export of the People's Republic of China, 2020.

3.2.3 Export prohibitions, restrictions, and licensing

3.79. Export restrictions and prohibitions are aimed to, *inter alia,* maintain national security, social public interests, or public morality; protect human health or safety, or the lives or health of animals and plants; protect the environment; protect exhaustible natural resources that are in short domestic supply or may require effective protection; and take effect in case of serious disturbance of the order of export business operations.

3.80. Export restrictions, including prohibitions and licensing requirements are in place on a variety of items, as highlighted in China's WTO notification in 2019 on its quantitative restrictions.[96] The list of items that are subject to prohibitions and restrictions is generally announced by MOFCOM, in collaboration with other relevant departments. Export prohibitions apply to products such as certain forest litter and turf, ractopamine, certain hazardous chemicals, natural sand (except metallic sand), pesticides and persistent organic pollutants, charcoal, certain toxic substances, and wild animal products. The legal basis for export prohibitions are mainly provided by: (i) former Ministry of Foreign Trade and Economic Cooperation (MOFTEC) Announcement No. 19, 2001; (ii) MOFCOM, GACC, and SFA Joint Announcement No. 40, 2004; (iii) MOFCOM, GACC and former State Environmental Protection Administration (SEPA) Joint Announcement No. 116, 2005; (iv) MOFCOM, GACC Joint Announcement No. 87, 2006; (v) MOFCOM, GACC Joint Announcement No. 96, 2008; and (vi) MOFCOM and GACC Joint Announcement No. 110, 2009.

3.81. China applies export licences to specific dual-use substances for the purposes of safeguarding national security and public interest and performing the obligations under relevant international agreements. The control is executed by the State Administration of Science, Technology and Industry for National Defence and MOFCOM, in coordination with other relevant agencies.

3.82. Restricted exports may be subject to quotas and licences. China imposes global and destination-specific export quotas. The list of products subject to quotas (Table 3.12) and the quota volumes for the following year is published on 31 October of each year. MOFCOM announces the total export quota of goods before 31 October each year. The authorities state that the latest total quota was provided through the Announcement on the Total Export Quotas for Goods (MOFCOM Announcement No. 49, 2020).

3.83. Regarding licensing requirements, MOFCOM issues on a yearly basis the Catalogue of Goods Subject to the Administration of Export Licences.[97] The Catalogue lists goods that are subject to export licensing (Table 3.12). The 2019 announcement, set to be implemented in 2020, lifted the licensing requirements for export of vitamin C and penicillin products. The Catalogue also lists goods

[96] WTO document G/MA/QR/N/CHN/5/Rev.1, 15 February 2019.
[97] MOFCOM Announcement No. 47, 2019; and MOFCOM and GACC Announcement No. 66, 2019.

that are subject to export quota (Table 3.12). For exports subject to a quota, the exporter must obtain the quota prior to applying for a licence.

Table 3.12 Products subject to export quotas and licensing, 2020

Products	Type of management	Comment
Products subject to quotas and licensing		
Wheat, maize, rice, cotton, and coal	Export quota (licence)	The export quota is allocated by the NDRC and the licence issued by MOFCOM.
Wheat, maize, and rice flour; ephedra herbs for medicinal use (cultivated); sawn timber; live chicken (for export to Hong Kong, China); live swine and cattle (for export to Hong Kong, China and Macao, China); crude oil; and refined oil (excluding lubricating oil, grease, and lubricating base oil)	Export quota (licence)	The export quota is allocated by MOFCOM.
Rush and rush products; liquorice and liquorice products	Export quota bidding (licence)	The export quota is allocated by MOFCOM.
Products subject to licensing		
Live cattle and swine (for export to markets other than Hong Kong, China and Macao, China); live chicken (for export to markets other than Hong Kong, China); beef, pork, and chicken; natural sand (including standard sand); bauxite; phosphate rock; magnesia; talc block (powder); fluorite (fluorspar); rare earths; tin and tin products; tungsten and tungsten products; molybdenum and molybdenum products; antimony and antimony products; coke; refined oil (lubricating oil, grease, lubricating oil base oil); paraffin; semimetals and semimetal products; disodium sulphate; silicon carbide; citric acid; silver; platinum (exported under processing trade); indium and indium products; motorcycles (including all-terrain vehicles) and motorcycle engines and frames; and automobiles (including complete sets of parts) and automobile chassis.	Export licence	Export traders apply for export licences with relevant export contracts.
Substances that deplete the ozone layer	Export licence	Export of such product must be allowed before applying for an export licence.

Source: MOFCOM Announcement No. 47, 2019; and MOFCOM and GACC Announcement No. 66, 2019.

3.84. According to the authorities, the value of exports of goods subject to export licensing stood at USD 63.86 billion in 2020, up from USD 39.50 billion in 2017.

3.85. In addition, to "maintain foreign trade order", export declarations of certain products subject to export licensing (liquorice, liquorice products, and natural sand), when exported to Chinese Taipei; Hong Kong, China; and Macao, China, may be cleared only through designated ports. The export clearance ports of liquorice are Tianjin Customs, Shanghai Customs, and Dalian Customs; the export clearance ports of liquorice products are Tianjin Customs and Shanghai Customs; the export clearance ports of natural sand (to Chinese Taipei; Hong Kong, China; and Macao, China) are limited to the province (autonomous region, municipalities) customs. The authorities state that the measures of administration at designated ports for the export of liquorice and liquorice products, and natural sand shall be cancelled in 2021.

3.86. The Catalogue of Technologies Restricted or Forbidden for Export was published in August 2020 by MOFCOM and the Ministry of Science and Technology (MOST).[98] The first version of the Catalogue was released in 1998 and was amended twice (in 2001 and in 2008). The amendments to the 2020 Catalogue were based on the draft proposed revisions released by MOFCOM and the corresponding public comments collected in 2018.

3.87. The Amendment added 23 new items to the list subject to export restrictions, including technologies related to drones, production of space materials, design and construction of large-scale high-speed wind tunnels, and aerospace bearings and lasers. It also provides description of new

[98] MOFCOM, 2020 Catalogue, Notification No. 38/2020, 28 August 2020.

elements and technical specifications subject to export control. For example, it adds "personalised information recommendation service technology based on data analysis" and "artificial intelligence interactive interfaces", one type of which uses voice recognition.

3.88. The Amendment removed four items that were subject to export prohibition in the 2008 Catalogue, which involve technologies related to microbial fertilizers, as well as the production of synthetic and semisynthetic caffeine and vitamin B2 production, and it removed five items that were subject to export restriction in the 2008 Catalogue, which involve technologies related to the Newcastle disease vaccine (for chickens), production of natural medicines, preparation and processing of functional polymer materials with biological activity, production of certain synthetic and semisynthetic chemicals, and information security firewall software.

3.89. Exports of a technology, either by means of transfer or licensing, would be prohibited if such technology is classified as a prohibited technology in the Catalogue. With regard to transfer of any technology subject to export restrictions in the Catalogue, approval from a competent commerce authority at the provincial level is required before entering into any substantial transfer negotiation with foreign counterparties, and an export licence issued by the same authority would be also required when completing the technology transfer agreement.

3.90. On 17 October 2020, the Standing Committee of the NPC passed the Export Control Law, which entered into force on 1 December 2020. Under Article 2 of the Law, export control refers to "prohibitions or restrictions on transfer of controlled items from the territory of the People's Republic of China to overseas and the provision of controlled items by any citizen or incorporated or non-incorporated organization of the People's Republic of China to any foreign organization or individual".

3.91. The Law defines "controlled items" to include dual-use items (with both civilian and military applications), military products, and nuclear products. In addition, "controlled items" include "other goods, technologies, services that are related to the maintenance of national security and interests and the implementation of international obligations such as non-proliferation". It also requires exporters to provide documentation establishing the intended end-use and end-user for the controlled items to be issued by the end-user or the Government at the end-user's location. End-users are required to commit not to change the end-use or transfer the item to any third party without authorization from the Chinese export control authorities. Exporters and importers are further obliged to report any potential change in the end-use or end-user.

3.92. While the previous export control framework still remains in place on a number of fragmented lists of items, the new Export Control Law provides for the establishment of a single framework for restricting exports of controlled items through published control lists. According to the authorities, China has formulated six administrative laws and regulations on export control, including the Administrative Rules on Monitored Chemicals, the Regulations on the Control of Nuclear Exports, the Administrative Regulations on the Export of Military Products, the Regulations on the Export Control of Dual-use Nuclear Items and Related Technologies, the Regulations on the Export Control of Missiles and Missile-related Items and Technologies, and the Regulations on the Export Control of Dual-use Biological Items and Related Equipment and Technologies. Specific export control lists were also released. In addition to the established control lists, the new legislation authorizes export control authorities to list items for "temporary controls" for a provisional period of up to two years before determining whether to list the items on a control list. The authorities indicate that China is in the process of formulating supporting regulations and shall release further regulations at a later stage.

3.93. Besides the item-based control lists, the Law provides for the establishment of control lists of foreign business entities that fall under one of the following cases: (i) violate end-user or end-use restrictions; (ii) "possibly endanger national security and interests"; or (iii) use controlled items for terrorist purposes. Chinese exporters will be barred from dealing with foreign business entities on the controlled list. However, they will be able to request exemptions under certain conditions, according to the Law.

3.94. Exporters must apply for an export licence from the relevant export control authority in order to export any item listed on a control list or subject to temporary controls. Article 13 of the Law provides that approval or disapproval of exports will be based on eight criteria: national security and interests, international obligations and external commitments, the type of exports, the sensitivity of

controlled items, the countries or regions they are bound for, the end-users and end-uses, relevant credit records of exporting companies, and "other factors stipulated by laws and administrative regulations". For goods, technologies, and services other than those listed on the export control list and temporarily controlled items, an exporter must apply to the national export control authorities for an export licence, if the exporter knows or should know, or has been notified by the national export control authorities, that the relevant goods, technologies, and services may endanger national security and interests, or may be used for the design, development, production, or use of weapons of mass destruction and their means of delivery, or may be used for terrorism.

3.95. Under the Law, China may take measures reciprocally, according to the actual circumstances, if any country or region "abuses" its export control measures in ways that endanger China's national security and interest.

3.2.4 Export support and promotion

3.96. China's most recent notification to the WTO regarding export subsidies was submitted in 2020. China indicated that export subsidies were not granted to agricultural products in 2019.[99]

3.97. Exporters are entitled to VAT rebates.

3.98. After the issuance by the Ministry of Finance (MOF) and the State Taxation Administration of the Announcement on Increasing the Export Tax Refund Rate of Some Products in 2020[100], the VAT rebate rate of all products, except for the high-pollution, high-energy consuming, and resource-based products, became equal to the applied rate. The MOF and the State Taxation Administration administer the VAT rebate regime.

3.99. Since 2018, VAT rebate rates on exports have been successively adjusted through the following measures: Notice of the MOF and the State Taxation Administration on Adjusting the VAT Rates (Cai Shui No. 32, 2018); Notice on Increasing the Export Rebate Rates for Mechanical and Electrical Products, Cultural Products and Other Products (Cai Shui No. 93, 2018); Notice on Adjusting the Export Tax Rebate Rates for Certain Products (Cai Shui No. 123, 2018); MOF, State Taxation Administration, and GACC Announcement on Policies for Deepening the VAT Reform (Announcement No. 39, 2019); and MOF and State Taxation Administration Announcement on Increasing the Export Tax Refund Rates for Certain Products (Announcement No. 15, 2020).

3.100. The latest adjustment to VAT rebate rates (Announcement No. 15, 2020) increased VAT refund rates for 1,464 goods as from 20 March 2020.[101] The announcement includes 380 agricultural and agricultural-related items and increases the rebate rate from 6% to 9%. The rate for the remaining 1,084 tariff lines in the Announcement increased from 9% to 13%.

3.101. Following the most recent round of adjustments of VAT rebate on exports, four refund rates are in force: 13%, 9%, 6%, and 0%, with the proportion of tariff lines subject to each rebate rate being 61.2%, 18.9%, 0.1%, and 19.6%, respectively. Products not subject to VAT rebate include high-energy-consuming products, high-polluting products, and endangered species of fauna and flora.

3.102. Exports promotion may also take the form of import duty exemptions for certain products (Section 3.1.3). Beyond their primary role as a test ground for policy reforms, PFTZs have attracted companies that export. Since 2013, China has established an increasing number of PFTZs across the country; currently, there are 31 PFTZs. In the Shanghai PFTZ, for example, benefits available to companies include a reduced corporate income tax rate of 15% (standard 25%) for five years in industries such as integrated circuits, artificial intelligence, biomedicine, and civil aviation; reduced individual income tax for foreign staff in PFTZ companies; and streamlined customs handling for PFTZ imports and exports.

3.103. Companies located in the Shanghai PFTZ can produce either in bonded or non-bonded areas. The payment of import tariffs by companies located in bonded areas is suspended and only becomes

[99] WTO document G/AG/N/CHN/53, 7 December 2020.
[100] Ministry of Finance and State Taxation Administration Announcement No. 15, 2020.
[101] The Bulletin is available at: http://szs.mof.gov.cn/zhengcefabu/202003/t20200317_3484123.htm.

effective when final products are sold to the rest of China. The PFTZ also features a distinctive mechanism for dispute resolution, with arbitration governed by a separate set of Arbitration Rules issued by the Shanghai International Arbitration Centre.

3.104. According to the authorities, in 2020, the total foreign trade value amounted to CNY 4.7 trillion in the 18 PFTZs, and 393,000 new companies were established (including 6,472 newly established foreign-funded enterprises).

3.105. Export support programmes also include the organization, by MOFCOM's Trade Development Bureau (TDB), of exhibitions in emerging markets and export-oriented training activities. The TDB also maintains the websites of China Trade Promotion and provides, through various service platforms, background information about foreign markets.

3.106. The Overseas Commercial Complaint Service Centre for Chinese Enterprises provides services to Chinese enterprises in the areas of complaint-handling, consulting, talent base construction, and support for start-ups.

3.107. The authorities indicate that several export promotion and assistance activities abroad were implemented during the review period. As at June 2020, the China Council for the Promotion of International Trade had established 387 trade cooperation mechanisms with 341 institutions in 143 countries and regional organizations. Since 2019, trade forums were held with countries including Cambodia, Pakistan, and Nepal.

3.2.5 Export finance, insurance, and guarantees

3.108. Export finance[102], insurance, and guarantees are predominantly granted by a number of policy financial institutions with the mandate to promote foreign trade and cross-border investment. The bulk of export finance is provided by the China Export-Import Bank (China Eximbank), which provides export finance, and the state-owned China Export & Credit Insurance Corporation (SINOSURE), which provides export credit insurance and related guarantees. Foreign-owned companies are also eligible for the services of China Eximbank and SINOSURE. China is not a member of the OECD; it does not participate in the OECD's Arrangement on Officially Supported Export Credits. The authorities indicate that China has always been actively involved in the consultation of the International Working Group on export credits, including its technical working group.

3.109. China Eximbank is a state-owned policy bank with the status of an independent legal entity. It is dedicated to supporting China's foreign trade, investment, and international economic cooperation.[103] It was created in 1994 to provide financing for the importation and exportation of capital goods and services and for Chinese companies that undertake overseas construction and investment projects. Its main mandate includes facilitation of export and import of equipment and new- and high-tech products, and assisting Chinese companies with comparative advantages in their offshore projects. According to the authorities, the Government injects capital into China Eximbank as its shareholder; in the course of business, China Eximbank raises funds mainly by issuing bonds in both domestic and international capital markets.

3.110. China Eximbank primarily offers overseas financing through a range of activities such as export credits (including export buyer's credit and export seller's credit), loans for overseas construction and investment, and concessional loans. Export buyer's credit consists of loans extended to overseas borrowers to finance their imports of Chinese goods, while export seller's credit consists of loans granted to domestic enterprises within the scope of their export activities. The Bank provides two preferential facilities: government concessional loans and preferential export buyer's credit. Concessional loans are offered to developing countries at rates lower than market interest rates and are usually tied to Chinese exports.[104] The authorities note that all projects operate according to market principles, and banks do not attach any additional conditions to their loans.

[102] According to the authorities, this relates only to official export credit.

[103] China Eximbank, *About the Bank*. Viewed at: http://english.eximbank.gov.cn/Profile/AboutTB/Introduction/.

[104] OECD Development Centre, Perspectives on Global Development 2010 Shifting Wealth, *How China is Influencing Africa's Development*, April 2010. Viewed at: https://www.oecd.org/development/pgd/45068325.pdf.

China Eximbank provides its services to various enterprises. In 2018, China Eximbank conducted USD 178.1 billion worth of international settlement (USD 118.3 billion), letters of guarantee (USD 9.4 billion), and trade finance transactions (USD 50.3 billion), a year-on-year increase of 8.85%.[105]

3.111. China Eximbank is the designated institution to implement the Chinese Government Concessional Loan and Preferential Export Buyer's Credit, two Concessional facilities provided to other developing countries. As at end-2018, China Eximbank's concessional business covered more than 90 countries in the ASEAN region, South Asia, Central Asia, West Asia, Africa, Latin America, and the South Pacific.[106]

3.112. China's official export credit insurance agency is SINOSURE. It was created in 2001 by merging the export credit insurance departments of China Eximbank and the People's Insurance Company of China, with the mandate to promote exports and cross-border investments through export credit insurance and investment insurance. Based on information provided by the authorities, SINOSURE's export credit insurance in 2018 and 2019 covered around 20% of total exports.

3.113. SINOSURE offers, *inter alia*, short-, medium-, and long-term export credit insurance, bond and guarantee facilities, and overseas investment insurance and credit information services. There are several kinds of short-term export credit insurance, with a maximum term of two years (Table 3.13). The list of available insurance products is available online.[107] Exporters may choose from the following insurance products/solutions: (i) comprehensive cover insurance, which indemnifies exporters from the direct loss arising from political or commercial risks; (ii) small and medium-size enterprise (SME) comprehensive cover insurance, which protects SME exporters from the risk of foreign exchange collection; (iii) small and micro enterprise easy credit insurance, which is tailor-made to meet the specific need of small and micro businesses; and (iv) additional pre-export insurance, which mainly covers the credit risk before export of goods. Financing banks may also choose specific insurance products.

Table 3.13 Overview of SINOSURE short-term export credit insurance policy

Covered risks and insured percentage
Covered commercial risks
The buyer goes bankrupt or insolvent.
The buyer defaults on payment for goods.
The buyer refuses to take delivery of goods.
The issuing bank goes bankrupt, closes down, or is under receivership.
The issuing bank defaults in spite of consistency of trading documents and consistency between letter of credit and trading documents, or dishonours under usance of letter of credit.
Covered political risks
The country or region of the buyer or issuing bank prohibits or restricts the buyer or issuing bank from paying for goods or making letter of credit payment to the insured.
An import ban is imposed on the goods purchased by the buyer, or the import permit issued to the buyer is revoked.
A war, civil war, or riot makes the buyer unable to perform the contract, or makes the issuing bank unable to discharge its payment obligation under letter of credit.
A third country through which the payment by the buyer or issuing bank has to be routed issues a moratorium.
Insured percentage
Up to 90% for the loss resulting from political loss.
Up to 90% for the loss resulting from bankruptcy, insolvency, default, or other commercial risks.
Up to 90% for the loss resulting from the buyer's refusal to accept goods.
Up to 100% under the export credit insurance (forfaiting) policy.
Up to 90% under the SME comprehensive cover insurance.

Source: China Export & Credit Insurance Corporation (SINOSURE). Viewed at: http://www.sinosure.com.cn/en/Insurance/steci/index.shtml.

[105] China Eximbank, *2018 Export-Import Bank Annual Report*. Viewed at: http://www.eximbank.gov.cn/aboutExim/annals/2018_2/.

[106] China Eximbank, *Chinese Government Concessional Loan and Preferential Export Buyer's Credit (Two Concessional Facilities).* Viewed at: http://english.eximbank.gov.cn/Business/CreditB/SupportingFC/201810/t20181016_6972.html.

[107] SINOSURE, *ST Export Credit Insurance*. Viewed at: http://www.sinosure.com.cn/en/Insurance/steci/index.shtml.

3.114. SINOSURE offers various medium- and long-term insurance instruments to protect various risks born by exporters and financial institutions (Table 3.14). The term is generally between 2 and 15 years. Four insurance instruments exist under the medium- and long-term framework: export buyer's credit insurance; export supplier's credit insurance; export deferred payment refinancing insurance; and overseas financial leasing insurance.[108]

Table 3.14 Overview of SINOSURE medium- and long-term export credit insurance policy

Covered risks and insured percentage
Covered commercial risks
The debtor declares bankruptcy, or the winding-up and/or dissolution or the debtor's default of payment of the principal or/and interest due and payable on the due date under the loan agreement or commercial contract.
Covered political risks
The debtor is being prohibited or inhibited from repaying its debt to the insured with the currency agreed in the loan agreement or with other freely convertible currencies as a result of the promulgation of any law, decree, order, rule, or adoption of any administrative measure by the government of the debtor's country (or region) or a third country (or region) through which the repayment must be effected.
The debtor is unable to implement its repayment obligations under the loan agreement as a result of any moratorium announced by the government of the debtor's country (or region) or a third country (or region) through which the repayment must be effected.
The occurrence of war, revolution, or riot in the debtor's country (or region) or other applicable political events to be determined by SINOSURE.
Insured percentage
Up to 95% for export buyer's credit insurance and export deferred payment refinancing insurance.
Up to 90% for export supplier's credit insurance.
Up to 90% for overseas lease insurance with financial institution ((FI), including financial lease company) insured, or 90% for overseas lease insurance with non-FI insured.

Note: SINOSURE medium- and long-term export credit insurance covers risks in relation to the collection of deferred payment by exporters, the account receivable by financial leasing companies, and the recovery of loan principal and interest by financial institutions. The tenor is normally 2 to 15 years.

Source: SINOSURE, *M / LT Export Credit Insurance*. Viewed at: http://www.sinosure.com.cn/en/Insurance/meci/index.shtml.

3.3 Measures Affecting Production and Trade

3.3.1 Incentives

3.115. During the review period, China continued to provide incentives and financial support to different sectors and industries. The authorities indicate that these measures are in place to accelerate transformation and upgrading of traditional industries, foster infant industries, stimulate innovation, promote development in remote areas, enhance competitiveness of SMEs, and attract FDI. Furthermore, support was also granted with a view to protecting the environment, reducing emissions, and conserving energy. Generally, support is granted by the Central Government or local governments in the form of direct transfers and tax preferences. The authorities indicate that no incentives are granted in the form of access to credit.

3.116. The Government's Five-Year Plans for Economic and Social Development serve as a reference for the design of support policies and for the identification of priority areas, even though the plans do not outline specific measures. The 13th Five-Year Plan (2016-20) highlighted the importance of innovation capacity, and advocated increased innovation in agriculture, strategic emerging industries, intelligent manufacturing, and services. In addition to the Five-Year Plans for Economic and Social Development, there are also sector-specific Five-Year Plans for individual industries.

3.117. In June 2019, China notified to the WTO its support programmes at the central and subcentral levels during the period 2017-18.[109] The 249-page notification contains information on 79 central-level and 420 subcentral-level programmes. According to the notification, the objectives of the subsidies are to support rural and regional development, protect the environment, conserve

[108] SINOSURE, *M / LT Export Credit Insurance*. Viewed at: http://www.sinosure.com.cn/en/Insurance/meci/index.shtml.

[109] WTO documents G/SCM/N/343/CHN, 19 July 2019; and G/SCM/N/343/CHN/Corr.1, 31 July 2019.

energy, upgrade specific industries, improve productivity and efficiency, and increase welfare of disabled people.

3.118. At the central level, support is provided in form of preferential taxes, payment and stamp duty exemptions, tariff and VAT reductions, and fiscal appropriation. Fifteen of the 79 programmes had already expired by the time of provision of the notification (Table A3.2). No information was provided by the authorities on how many of the programmes were still active as at April 2021. Among the 59 central programmes still active in 2019, 7 were on the agricultural sector; 5 each on technology, fishery, energy, and disability; 4 on infrastructure; 3 each on waste management, financing, environment, and automobile and transportation; 2 each on SMEs, poverty reduction, pharmaceuticals, and economic development; and 1 each on oil and gas, mining, and FDI. Among the active programmes, budget information was only made available for 14 programmes that provided support in form of fiscal appropriation.

3.119. At the subcentral level, the notification contains 420 programmes in 31 provincial administrations and 5 designated city administrations. Of these programmes, 283 were still active in 2019. No information was provided by the authorities on how many of the programmes were still active as at April 2021. Under these programmes, incentives are provided to specific industries, SMEs, research and development (R&D) activities, industry upgrade, less developed regions, and rural areas. Support at the subcentral level is through fiscal appropriation. The amount of subsidies differs by municipality and by industry.

3.120. During the review period, several communications were submitted by other Members concerning China's subsidy policy and notifications.[110] These communications referred to the amount of central and subcentral subsidies, the role of government guidance funds, China's fulfilment of its subsidy notification requirements (in particular, subsidies not mentioned in the notifications), subsidies to individual sectors (e.g. agriculture, fisheries, and steel), and eligibility criteria for specific subsidy schemes. China provided written answers to questions asked in these communications.[111] Specifically, China provided further information about the beneficiaries and eligibility criteria of the programmes. However, the total amount of expenditure or revenue forgone was usually not provided; according to the authorities, this is due to the lack of statistics on tax expenditures.

3.121. The authorities indicate that a notification on subsidies covering the years 2019 and 2020 will be submitted to the WTO in due course.

3.122. The notifications submitted to the WTO and the replies provided by China to questions asked by other Members did not enable the Secretariat to have a clear overall picture of China's support programmes. In particular, the notifications do not contain information on expenditure levels in certain sectors such as aluminium, electric vehicles, glass, shipbuilding, semiconductors, or steel. Information on subsidies going beyond the 2019 notification was not made available to the Secretariat. In the WTO Committee on Subsidies and Countervailing Measures, China generally provides answers to questions that focus on its subsidy notifications, but not on subsidy policies not covered in its notification.[112] The authorities indicate that under the provisions of the WTO Agreement on Subsidies and Countervailing Measures (SCM Agreement), there is no obligation to provide written information on programmes not contained in the subsidy notification.

3.123. It would appear that transparency on government support may also be hampered, as the Government, through numerous state-owned enterprises (SOEs), is involved in the financing and management of companies, making it difficult to identify the precise policy actions (see also Section 3.3.5). The authorities do not agree with this statement and indicate that no implicit

[110] WTO documents G/SCM/Q2/CHN/75-76, 30 January 2019; G/SCM/Q2/CHN/77, 5 March 2019; G/SCM/Q2/CHN/78, 4 April 2019; G/SCM/Q2/CHN/79, 9 April 2019; G/SCM/Q2/CHN/85, 27 January 2020; G/SCM/Q2/CHN/86-89, 29 January 2020; and G/SCM/Q2/CHN/90, 20 August 2020. Questions were asked by the United States, the Dominican Republic, Japan, New Zealand, the European Union, Canada, and Australia.

[111] WTO documents G/SCM/Q2/CHN/80-84, 20 November 2019; G/SCM/Q2/CHN/91-95, 28 October 2020; and G/SCM/Q2/CHN/96, 30 October 2020.

[112] WTO document G/SCM/M/110, 13 February 2020, paras. 109 and 117. Furthermore, in April 2017 questions were posed by the European Union and the United States under Article 25.8 of the SCM Agreement, regarding non-notified steel subsidies, to which China has not yet provided written replies (WTO document G/SCM/Q2/CHN/70, 13 April 2017).

subsidies were paid to China's SOEs. According to the authorities, the Government does not intervene in SOEs' financing, operation, and management.

3.124. In addition to the notified programmes, it would appear that numerous other initiatives are in place to support different industries and attract foreign investment. So-called "government guidance funds", or government-guided investment funds, use public resources to make equity investments in industries that the Government considers important (Table 3.15). The Secretariat was not able to get clarity on what these funds are.[113] Some of them are still in the process of being established, and it is unclear what their ultimate size will be. According to some external sources, they are mostly financed by the Central Government and local governments, large SOEs, and state-owned financial institutions. Most of the funds are utilized to finance advanced manufacturing, new materials, and other innovative industries. Information provided in Table 3.15 was not confirmed by the authorities; they expressed the view that the information is not relevant to this Review. They also state that these funds were in part privately funded, that they would not provide any subsidies, and hence would not have to be notified. According to the authorities, these funds are not required to be notified under the SCM Agreement as support provided through these funds does not constitute subsidies.

Table 3.15 Government guidance funds

Name	Size (CNY billion)	Founding year	Industries
Beijing Science and Technology Innovation Fund	20	2017	Optoelectronics, big data, new materials, clean energy, artificial intelligence, advanced manufacturing, healthcare, information technology, quantum computing
Chengdu Qianhai Industry Guidance Fund	40	2016	Infrastructure, emerging industry, advanced manufacturing industry, innovative industry, public services
Futian Guiding Fund	10	2015	New energy, new material, aviation, healthcare, information technology
Guangdong Semiconductor and Integrated Circuit Industry Investment Fund	15	2016	Integrated circuits, advanced manufacturing, devices
Haihe River Industrial Fund	100	2015	Healthcare, biotechnology, new energy, advanced manufacturing, mobile Internet, new materials
Henan Industrial Agglomeration Area Development Investment Fund	60	2017	Advanced manufacturing, services
Jiangxi Development and Upgrade Guidance Fund	100	2017	Innovative and emerging industry, traditional industry upgrade, services
Jilin Industry Investment Guidance Fund	10	2015	Strategic emerging industry, modern agriculture, services
National Emerging Industry Investment Guidance Fund	40	2016	Not specified
National SME Development Fund	100	2016	Not specified
Shandong Finance Group	10	2014	Not specified
Shenzhen Guidance Fund	100	2010	Information technology, healthcare, smart devices, environmental protection
Shenzhen State-owned Asset Reform and Development Fund	150	2016	Environmental protection, advanced manufacturing
Smart Yangtze River Industry Guidance Fund	30	2016	Real estate, sports, culture, tourism, agriculture, transportation, public services
Xiamen Industrial Investment Fund	10	2015	Displays, computer and telecom devices, healthcare, new material, tourism and exhibitions, logistics, software, finance, culture
Xuzhou Industry Development Fund	39.5	2016	Not specified
Yangtze River Industry Fund	200	2015	Information technology, advanced manufacturing, new materials, healthcare, clean energy, emerging industries
Zhongyuan Silk Road Fund	20	2017	Airport construction, logistics, trade, culture, tourism

Source: Compiled by the WTO Secretariat from various sources.

[113] Therefore, it is not clear if they are subject to notification to the WTO.

3.125. In addition, some other funds that are related to government policies appear to conduct direct investments to support a particular policy initiative (Table 3.16). These funds include expenditures under the Belt and Road Initiative (BRI), and funds for China's SOEs. According to the authorities, the incentives provided by these funds do not constitute subsidies and are not required to be notified under the SCM Agreement.

Table 3.16 Policy-related funds

Name	Size (CNY billion)	Founding year	Industries
Advanced Manufacturing Investment Fund	20 (first phase)	2016	"Made in China 2025" focus industries: rail transport, high-end shipping, marine engineering equipment, industrial robots, new energy cars, modern agricultural equipment, advanced medical devices, new materials
Beijing Big Data Industry Investment Fund	10 (first phase)	2016	Big data transaction platforms, sensors, chips, data resources, data technology
Central Enterprise Guochuang Investment Guidance Fund	150	2017	High-speed rail, nuclear energy, aerospace, clean energy, 3D printing, new energy cars, robotics, quantum network
China Big Data Industry Development Fund	20-30	2016	Big data and related value chains in Guiyang City
China Culture Industry Investment Fund	20	2011	Culture, media, entertainment, performing arts, data
National Integrated Circuit Industry Investment Fund	139 (first phase)	2014	Semiconductor manufacturing, chip design, materials, testing and assembly
Shanghai Integrated Circuit Industry Investment Fund	50	2017	Semiconductor manufacturing, chip design, materials, testing and assembly
Silk Road Fund	265	2014	BRI-related projects

Source: Compiled by the WTO Secretariat from several sources.

3.126. It would appear that financial support is also provided to the semiconductor industry. According to an OECD study, it was estimated that Chinese semiconductor firms received 86% of global equity support and 98% of all below-market borrowing.[114] The study also estimated that Chinese semiconductor companies receive more government funding than companies in other countries, and have below-market equity returns. Moreover, the study estimated that state participation in China's semiconductor industry has increased significantly over the past years, including in companies that started as privately owned. The authorities state that they cannot confirm the results of the study; they also indicate that the conclusions of the study are not credible as they are based on estimated data.

3.127. Given the importance of the Chinese economy and the size of government support accorded to individual companies, China's support measures are reported to be susceptible to affect global markets, downstream industries, and individual value chains. Such effects of China's support cannot be quantified in general, as relevant data are not publicly available. Nevertheless, a study by the OECD found, for example, that China's financial support on energy and concessional finance for aluminium smelting, coupled with export restrictions on raw aluminium, provide Chinese exporters of semi-finished aluminium goods with a significant cost advantage, leading to important repercussions in global markets.[115] The authorities state that they do not agree with this view, and indicate that China does not provide subsidies on energy and concessional finance for aluminium smelting.

3.128. No official studies on the impact of China's public support on productivity growth and innovation are available. Available firm-level data have allowed academic studies to analyse the efficiency of China's government support. With regard to the overall efficiency, it has been found that government support had a negative effect on corporate investment efficiency and is positively correlated with overinvestment.[116] With regard to R&D support specifically, it has been shown that

[114] OECD (2019), *Measuring Distortions in International Markets: The Semiconductor Value Chain*, OECD Trade Policy Papers No. 234.

[115] OECD (2019), *Measuring Distortions in International Markets: The Aluminium Value Chain*, OECD Trade Policy Papers No. 218.

[116] Hu, J. et al. (2019), "Government Subsidies and Corporate Investment Efficiency: Evidence from China", *Emerging Markets Review*, Vol. 41.

China's public support led to an increase in patent quantity, but not in patent quality.[117] The authorities do not agree with the conclusions of these studies.

3.129. In the wake of the COVID-19 pandemic, the Central Government and regional governments launched a series of policies to cushion the economic consequences caused by the pandemic, besides ensuring steady medical supplies and daily necessities. The Central Government's measures include tax reductions, reduction of certain social insurance fees, increase of employer contributions for unemployment insurance, temporary exemptions of social insurance fees for SMEs, reduction of electricity and gas costs, and deferred tax payments for SMEs. Measures taken by regional governments include the waiving of rents for SMEs, extending government procurement to support SMEs, selected repayment of employers' social insurance contributions, and exempting companies severely impacted by the pandemic from various taxes.

3.130. In April 2020, the Government released a Notice on Optimizing Fiscal Subsidies for Promoting New Energy Vehicles, extending subsidies for electric and hybrid vehicles until end-2022. Vehicles must meet minimum technical and performance criteria to qualify. The notice for the first time introduced a sales limit of 2 million vehicles per year. A price limit of CNY 300,000 including tax was also introduced. No information was available on total expenditure under this programme.

3.131. During the review period, China has continued to provide government support to its agriculture sector (Section 4.1.2). China's 2019 subsidy notification also provides information about various programmes in the agriculture sector.[118] China notified that it did not provide export subsidies in 2018.[119] No notification on domestic support has been submitted to the WTO since the previous Review in 2018. The authorities indicate that a new notification would be submitted before mid-July 2021.

3.132. Available figures indicate that China also continued to provide substantial support to its fisheries sector. China's subsidy notification refers to six different programmes at the Central Government level and 25 programmes at the local level.[120] For example, CNY 398.5 million was provided in 2017 and 2018 for stock enhancement. According to external estimates, China's government support to its fisheries sector totalled USD 7.3 billion in 2018.[121] Moreover, a large share of China's government support to the sector is considered as "capacity-enhancing". The authorities indicate that a new fisheries policy would be issued soon.

3.3.2 Standards and other technical requirements

3.3.2.1 Overview

3.133. Since its previous Review, China introduced or revised various laws and regulations related to standards and other technical requirements. On 1 January 2018, the revised Standardization Law entered into force and included new provisions such as those on association standards. According to the authorities, the Law improved the procedures for setting mandatory standards (or technical regulations), clearly defined local and sector standards, and established a disclosure system for self-declaration of enterprise standards. On 6 January 2020, the SAMR promulgated the Measures for the Administration of Mandatory National Standards, which stipulate the procedures for making and revising mandatory standards. They entered into force on 1 June 2020. On 16 January 2020, the SAMR promulgated the Measures for the Administration of Local Standards, which stipulate procedures for making and revising local standards; they entered into force on 1 March 2020. On 6 January 2020, the SAMR published the Measures for the Administration of Mandatory National Standards, which stipulate the procedures for making and revising mandatory standards; they

[117] Boeing, P. and Mueller, E. (2019), "Measuring China's Patent Quality: Development and Validation of ISR Indices", *China Economic Review*, Vol. 57; Boeing, P. and Mueller, E. (2016), *Measuring Patent Quality and National Technological Capacity in Cross-country Comparison*, Centre for European Economic Research Discussion Paper No. 16-048.

[118] WTO documents G/SCM/N/343/CHN, 19 July 2019; and G/SCM/N/343/CHN/Corr.1, 31 July 2019.

[119] WTO documents G/AG/N/CHN/51-52, 6 November 2019.

[120] WTO documents G/SCM/N/343/CHN, 19 July 2019; and G/SCM/N/343/CHN/Corr.1, 31 July 2019 (Programmes 74-79).

[121] Sumaila, U.R., et al. (2019), "A Global Dataset on Subsidies to the Fisheries Sector", *Marine Policy*, Vol. 27; and Sumaila, U.R, et al. (2019), "Updated Estimates and Analysis of Global Fisheries Subsidies", *Marine Policy,* Vol. 109.

entered into force on 1 June 2020.[122] Other changes during the review period included: (i) the adoption on 29 June 2019 of the Vaccine Administration Law at the 11th Session of the Standing Committee of the 13th National People's Congress (it entered into force on 1 December 2019); (ii) the adoption on 26 August 2019 of the revised Pharmaceutical Administration Law at the 12th Session of the Standing Committee (it entered into force on 1 December 2019); (iii) the promulgation on 3 September 2019 of the Circular on the Standards of Cosmetics Registration, Record-Filing, Inspection and Test by the National Medical Products Administration (NMPA)[123]; (iv) the adoption on 31 August 2018 of the Soil Pollution Prevention and Control Law at the Standing Committee of the 13th National People's Congress; and (v) the issue on 29 April 2020 of the Measures for the Environmental Management Registration of New Chemical Substances by the Ministry of Ecology and Environment (MEE) (Order No. 12 of the Ministry), which entered into force on 1 January 2021.[124]

3.134. The Standardization Law classifies China's standards into five major categories: national, sector, local, association, and enterprise. The national standards include both voluntary and mandatory standards. Sector standards and local standards are voluntary. The Law also stipulates that, where there are other provisions on the formulation of mandatory standards in laws, administrative regulations, and decisions of the State Council, such provisions shall prevail.

3.135. The Plan for Deepening Standardization Reform issued by the State Council proposes that the current mandatory national, sector, and local standards will be gradually integrated into mandatory national standards; the three-level system of mandatory national, sector, and local standards concerning environmental protection, engineering, construction, and medicine and healthcare will be retained. Sector standards in military industries involving national security and secrets, such as nuclear and aerospace, are managed by the National Defence Science and Technology Industry Authorities of the State Council.

3.136. The SAMR, established in 2018, is responsible for organizing and guiding the comprehensive law enforcement of market supervision, including law enforcement and inspection work in the fields of quality, measurement, certification, accreditation, and standardization. Specifically, the Law Enforcement and Inspection Bureau of the SAMR is responsible for formulating and organizing the implementation of systems and measures for the comprehensive law enforcement of market supervision and investigation and handling of cases; guiding the investigation and handling of relevant violations of market entities in access, production, operation, and trading; undertaking the work of organizing, investigating, and supervising the handling of major and important cases with national influence, or major and important cases involving more than one province (autonomous region or municipality directly under the Central Government); and guiding the comprehensive law enforcement of local market supervision.

3.137. While the China National Certification and Accreditation Administration (CNCA) and the Standardization Administration of China (SAC) no longer exist as entities, the SAMR retains their functions, using their names where relevant. The General Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ) was dismantled when the SAMR was established.

3.138. China's standardization system is administered by the SAMR, performing as the SAC. The Department of Standard Technical Management of the SAMR issues, under the name of the SAC, national standards plans; approves the release of national standards; and reviews and releases important documents such as standardization policies, management systems, plans, and announcements. In addition, it notifies the public of mandatory national standards, undertakes the management of the National Professional Standardization Technology Committee, and carries out the regular work of the State Council's standardization coordination mechanism. The Department of Standards Innovative Management of the SAMR, under the name of the SAC, coordinates, guides,

[122] The SAMR also promulgated the Measures for the Administration of Local Standards, which entered into force on 1 March 2020.

[123] NMPA Circular No. 72, 2019. The Circular cancels requirements on qualification recognition for cosmetic administrative licensing inspection institutions and the designation of record-filing inspection institutions; it stipulates that inspection institutions can register themselves for recording administration, and revises the procedures of registration, record-filing, inspections and tests, requirements for inspection items, and requirements for and styles of inspection reports.

[124] Measures for the Environmental Management of New Chemical Substances (Ministry of Environmental Protection Order No. 7), issued on 19 January 2020, are to be repealed as Order No. 12 enters into force.

and supervises the work related to sector, local, association, and enterprise standards. It is also in charge of organizing and participating in the activities of the International Organization for Standardization, International Electrotechnical Commission, and other international or regional standardization organizations, as well as the signing of relevant international cooperation agreements.

3.139. Work related to standardization is carried out under the unified organization of the SAC, the NDRC, the NMPA, other ministries, and local and industry associations (such as the China Association for Standardization) in their respective fields.[125]

3.140. The responsibility of the MIIT and other institutions, such as the China Electronics Standardization Institute, the China Communications Standards Association, the NMPA, and the National Health Commission, in regard to standard setting has remained largely unchanged since the previous Review.[126]

3.141. The GACC is responsible for: (i) entry-exit health quarantine, entry-exit inspection, and quarantine of animals and plants and their products, and the statutory inspection of imports and exports; (ii) supervision and administration of the appraisal, verification, and quality safety of imports and exports; (iii) inspection and quarantine as well as supervision and administration of food and cosmetics imports; and (iv) food export-related work in accordance with bilateral and multilateral agreements.

3.142. China's technical barriers to trade (TBT) Enquiry Point is headquartered in the Research Centre of the GACC for International Inspection and Quarantine Standards and Technical Regulations; it assists the Notification and Enquiry Bureau of MOFCOM to submit TBT notifications.

3.143. National standards are formulated in accordance with the Measures on Administration of National Standards, Order No. 10, 24 August 1990, unchanged since the previous Review.[127] At the technical examination stage, mandatory standards must be publicly reviewed by convening meetings, and the period for receiving comments cannot be less than two months. The authorities state that before their approval, mandatory standards that may have a significant effect on trade and whose technical content is not in accordance with the technical content of relevant international standards must be notified to the WTO. Government agencies, such as the NDRC and the MIIT, have the staff to approve and promulgate technical regulations that may refer to voluntary standards, rendering them mandatory.

3.144. As at end-2020, there were 39,460 national standards (2,133 mandatory and 37,327 voluntary standards). According to the authorities, at end-2020, among the national standards that correspond to the relevant international standards, 92.4% of mandatory standards and 91.4% of voluntary standards were adoptions or adaptations of international standards, compared with 74.3% and 85.9% at end-2017. Of the national standards approved in 2020 (before 15 July), 4.0% were mandatory, compared with 2.8% in 2018.

3.145. Between January 2018 and 13 April 2021, China submitted 344 TBT notifications, most of them under Article 2.9 of the TBT Agreement.[128] In the Committee on Technical Barriers to Trade,

[125] According to the authorities, both domestic and registered foreign-funded enterprises may participate in China's national standardization activities. They must file an application to participate in the corresponding technical committee, as specified in the Administration Provisions on National Professional Standardization Technology Committee.

[126] WTO document WT/TPR/S/375/Rev.1, 14 September 2018.

[127] Industry or sectoral standards are formulated by the relevant technical committees. The standardization administrations of the competent ministries, with the support of the industry institutes of standardization and technical committees, are responsible for establishing industry or sectoral standard development plans and approving the corresponding standards. Local standards are formulated by the standardization authorities of provinces, autonomous regions, and municipalities directly under the Central Government in accordance with the Administrative Measures on Local Standards. Industry or sectoral and local standards must also be reviewed within five years of their implementation (Guo Bao Wei Ban No. 3, 2009).

[128] WTO documents G/TBT/N/CHN/ series from 1 January 2016 to 8 April 2021.

between January 2018 and 13 April 2021, 25 specific trade concerns (STCs) were raised by Members regarding TBT measures maintained or planned by China, including 9 new STCs.[129]

3.3.2.2 Product certification

3.146. Except for the establishment of the SAMR, and the concurrent abolition of the AQSIQ, no changes have taken place in the laws and regulations governing China's certification system since the previous Review. Certification and accreditation are regulated by: the Product Quality Law; the Import and Export Commodity Inspection Law; the Regulations on Certification and Accreditation; the Regulations on Compulsory Product Certification; the Measures for the Administration of Certification Bodies; the Measures for the Administration of Certification Certificates and Certification Marks; the Measures for the Administration of Organic Product Certification; and the Measures for the Administration of Energy-Saving and Low-Carbon-Emission Product Certification. China administers both a voluntary certification system and a compulsory product certification system.

3.147. The Certification and Supervision Department and Accreditation, Testing and Inspection Department under the SAMR, performing as the CNCA, is responsible for, *inter alia*, policies related to certification, accreditation, testing, and inspection. The CNCA participates in the certification, accreditation, testing, inspection, and other international cooperation of qualification certification; undertakes the signing of relevant international cooperation protocols; organizes national inter-ministerial conferences on certification and accreditation; and coordinates with local and sectoral authorities regarding certification, accreditation, testing, and inspection.

3.148. The China National Accreditation Service for Conformity Assessment (CNAS), under the administration of the SAMR, is responsible for the accreditation of certification bodies, laboratories, inspection bodies, and relevant bodies. The CNAS is the national accreditation body recognized by the SAMR (as the CNCA) in accordance with the Regulations on Certification and Accreditation. The Secretariat of the CNAS is located in the China National Accreditation Institute for Conformity Assessment (CNAI). As the legal entity of the CNAS, the CNAI assumes legal liabilities arising from CNAS accreditation activities. The CNAS is mainly responsible for: (i) establishing and operating the national accreditation system for conformity assessment bodies, and formulating and publishing accreditation rules, principles, guidelines, and other normative documents in accordance with, *inter alia*, China's relevant laws and regulations and international and national standards; (ii) assessing the competence of local or foreign conformity assessment bodies that have filed applications, making accreditation decisions, and conducting accreditation-related surveillance and management on accredited conformity assessment bodies; (iii) directing and regulating the use of the CNAS logo and accreditation symbols; (iv) organizing personnel training related to accreditation, and qualifying, recruiting, and managing accreditation personnel; (v) offering relevant technical services to conformity assessment bodies, and providing the public with publicly available information on accredited conformity assessment bodies; (vi) participating in international activities related to conformity assessment and its accreditation, and signing bilateral or multilateral accreditation cooperation agreements with relevant accreditation bodies, related bodies, or international organizations; (vii) dealing with appeals and complaints related to accreditation; (viii) undertaking tasks assigned by relevant government departments; and (ix) carrying out other activities related to accreditation.

3.149. China's compulsory product certification system, which applies to both domestic products and imports, aims to enforce product compliance with technical requirements. The products subject to compulsory product certification are listed in the Compulsory Product Certification Catalogue (CCC Catalogue); they cannot be sold in China or imported without a China Compulsory Certification (CCC) and the corresponding CCC marks.[130] The CCC system is based on national compulsory standards. The products that have been listed in the compulsory certification directory may only leave the factory, be sold, imported, and used in other business activity after they have been certified and labelled. In April 2020, for the purpose of optimizing the business environment and facilitating imports, the Announcement of the State Administration for Market Regulation and the General Administration of Customs on Releasing the Catalogue of Products Subject to CCC and

[129] STCs 294, 296, 428, 456, 457, 466, 477, 489, 493, 509, 526, 527, 533, 534, 545, 547, 551, 576, 584, 611, 641, 642, 644, 665, and 667.

[130] SAMR Announcement on the Compulsory Product Certification Catalogue (CCC Catalogue) and Description and Definition Form (Announcement No. 18, 2020). Viewed at: http://gkml.samr.gov.cn/nsjg/rzjgs/202004/t20200428_314776.html.

2020 Reference Table for the Products Numbers (Announcement No. 21, 2020) was issued, specifying the product numbers involved in the CCC Catalogue.[131]

3.150. Under SAMR Announcement on the Compulsory Product Certification Catalogue and Description and Definition Form (Announcement No. 18, 2020), the CCC Catalogue includes 103 products, 19 of which adopted self-declaration assessment. Under this method, the CCC marks can be applied after the submission of conformity information; there is no need to involve accreditation bodies for compulsory product certification.

3.151. The CCC Catalogue is approved and released jointly by the SAMR and the CNCA, together with the relevant industrial administrative departments, if approval from the industry regulator is required. Responsibility for the general administration of the compulsory product certification system and its implementation lies with the CNCA. Random conformity sampling tests are conducted on imports that have already acquired a CCC.

3.152. Procedures to obtain the CCC mark have remained largely unchanged since the previous Review; with the exception of 19 products that have been accredited by self-declaration, an application must be submitted to the authorized accredited certification bodies designated by the CNCA, each of which is authorized to provide certification for several products subject to the CCC. In the context of the present Review, the authorities have indicated that there are 35 mandatory certification bodies.[132]

3.153. Under certain circumstances, exemptions from CCC certification may be granted. Eligible products include goods and samples required for research, testing, and certification testing; parts/goods needed directly for end-users' maintenance purposes; equipment/spare parts (excluding office supplies) used to complement factory production lines/complete production lines; goods used only for commercial display but not for sale; imported spare parts for the purpose of exports as a whole machine; and other goods that are exempt from CCC certification for special purposes.

3.3.2.3 Labelling and packaging

3.154. Imported pre-packaged food or food additives require a label in Chinese, and instructions, as long as laws require, in Chinese. Such labels and instruction manuals must specify the origin of the product and the name, address, and contact details of the domestic agent importing the food.[133] The labels and instructions must comply with the provisions of the Food Safety Law and other relevant laws and administrative regulations and the requirements of the National Food Safety Standards, and state the country of origin of the food, as well as the name, address, and contact details of the domestic agent. Pre-packed food without labels and/or instructions in Chinese or whose labels or instructions do not comply with the provision of the Law may not be imported.

3.155. Several changes to labelling and packaging requirements took place during the review period. For example, Articles 67-71 of the Food Safety Law, as amended in 2018, specify the requirements on food labelling. Article 33 of the Regulations on the Implementation of the Food Safety Law, as amended in 2019, provides that producers and distributors shall print conspicuous marks for their involvement in the business of genetically modified foods; it also stipulates that the labelling measures shall be formulated by the food safety supervision and administration department of the State Council while consulting the agricultural administrative department of the State Council.

[131] This involves updating the CCC Catalogue, drafting and promulgating the implementing rules for the compulsory certification of products listed in the CCC Catalogue, designing and promulgating certification marks, defining the requirements for CCCs, designating certification bodies and testing laboratories, carrying out conformity assessment activities for CCC certification, and supervising and inspecting compulsory product certification. The SAMR may also authorize market regulation authorities of local People's Governments at or above the county level as local regulation authorities for products listed in the CCC Catalogue in areas under their administration.

[132] Certification bodies include the China Quality Certification Centre, China Security Technology Certification Centre, China Agricultural Product Quality Certification Centre, China Safety Glass Certification Centre, Product Conformity Assessment Centre, China Certification Centre for Fire Products under the Ministry of Public Security, and China Automotive Certification Centre.

[133] Food Safety Law, Article 97; and General Rules for the Labelling of Pre-packaged Foods (GB 7718-2011), Article 4.1.6.3.

3.156. Other labelling and packaging requirements include the National Safety Standard General Rules for the Nutrition Labelling of Pre-packaged Foods (GB28050-2011), the National Food Safety Standard General Rules for the Labelling of Pre-packaged Foods (GB7718-2011), the National Food Safety Standard General Rules for Labelling of Pre-packaged Foods for Special Dietary Uses (GB13432-2013), the Vaccine Administration Law (adopted on 29 June 2019), the revised Pharmaceutical Administration Law (issued on 26 August 2019), Regulations for the Implementation of the Drug Administration Law (unchanged since 2018), Regulations for the Supervision and Administration of Medical Devices (unchanged since 2018, currently being revised), the Regulations on the Supervision and Administration of Cosmetics (issued on 16 June 2020), the Product Quality Law (unchanged since 2018), the Administrative Measures for the Packaging and Labelling of Agricultural Products (unchanged since 2018), and the Provisions for the Administration of Food Labelling (AQSIQ Decree No. 123).[134]

3.157. The draft Measures for Supervision and Administration of Food Labelling, published by the SAMR in November 2019, have not yet been adopted by the legislature. The revised draft of the Wildlife Protection Law was submitted to the 22nd session of the Standing Committee of the 13th National People's Congress for the first review on 13 October 2020. Currently, it is being revised and improved based on the opinions of various parties.

3.3.3 Sanitary and phytosanitary requirements

3.3.3.1 Legal, institutional, and policy framework

3.158. During the review period, there was a substantial reorganization of the agencies responsible for sanitary and phytosanitary (SPS)-related issues. In 2018, the former China Food and Drug Administration, General Administration for Industry and Commerce, and the AQSIQ were restructured into the SAMR, and the NMPA was established under the SAMR's responsibility. The GACC took on many of the responsibilities previously held by AQSIQ. The respective responsibilities of the different institutions in charge of China's SPS system are set out in Table 3.17. China's WTO SPS Enquiry Point is the SPS Notification and Enquiry Division in the Research Centre for International Inspection and Quarantine Standards and Technical Regulations within the GACC. Its national notification authority is the WTO Notification and Enquiry Centre within MOFCOM.[135]

3.159. As set out in the Food Safety Law, local food safety standards may be developed and published by the health administrative departments of provinces, autonomous regions, or municipalities directly under the Central Government for local specialties without national food safety standards. These must be reported to the heath administrative department of the State Council for recordation and must be immediately repealed after the relevant national food safety standards are issued.

3.160. The main SPS-related laws and regulations are set out in Table 3.18. Amendments to the Law on Import and Export Commodity Inspection in 2018 involved deletion of references to customs inspection and release of goods based on a customs declaration certificate issued by a commodity inspection organization[136], while changes the Law's 2019 Implementing Regulations reflected institutional changes.[137] Similarly, amendments to the Food Safety Law in 2018[138] were to reflect changes to the names of relevant authorities.

[134] AQSIQ Decree No. 123 is planned to be abolished after the Measures for the Supervision and Administration of Food Labelling are issued and enter into force. The Provisions for the Supervision and Administration of Production of Food Additives (AQSIQ Decree No. 127) were abolished on 13 July 2020.

[135] WTO Sanitary and Phytosanitary Information Management System. Viewed at: http://spsims.wto.org/en/EnquiryPointsNotificationAuthorities/Search?countryCode=C156&filter=.

[136] Law on Inspection of Import and Export Commodities (as amended in December 2018). Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/2369445/index.html. Changes were made to Articles 11 and 15 of the Law.

[137] Implementing Regulations of the Law on Inspection of Import and Export Commodities (revised and promulgated on 2 March 2019). Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/2369666/index.html.

[138] Food Safety Law (revised and promulgated on 29 December 2018. Viewed at: http://www.npc.gov.cn/npc/c30834/201901/c6d064de8295489288ec1383b33212ee.shtml.

Table 3.17 Central Government institutions with SPS-related responsibilities, 2021

Institution	Responsibilities
National Health Commission	Supervision and management of public health; food safety risk assessment; organization and formulation of national standards for food safety; monitoring, assessment, and information exchange of food safety risks; and safety reviews of novel food, new food additives, and new varieties of food-related products.
Ministry of Agriculture and Rural Affairs (MARA)	Supervision of the safety and quality of agricultural products; supervision and management of livestock and poultry slaughtering facilities; and leading the work of national entry-exit animal and plant quarantine.
State Administration for Market Regulation (SAMR)	Coordination of food safety supervision and administration; organization of the formulation of major food safety policies; building a food safety emergency response system; organization and guidance of emergency responses; investigation and handling of major food safety incidents; food safety inspection and administration; establishment of a supervision and inspection system and a mechanism for identifying and controlling hidden dangers that cover the whole process of food production, distribution, and consumption; organization of supervision and sampling inspection to ensure food safety, risk monitoring, guiding, and urging the verification and treatment of substandard foods, as well as pre-warning and exchanges of information on risks.
General Administration of Customs (GACC)	Entry-exit commodity inspection; entry-exit health quarantine; entry-exit animal and plant quarantine; administration of inspection and quarantine of imported food and cosmetic products; and implementation of work related to exported food in accordance with multilateral and bilateral agreements.

Source: Information provided by the authorities.

Table 3.18 Main SPS-related laws and regulations, January 2021

Laws	Promulgation/revision
Law on the Entry and Exit Animal and Plant Quarantine	Effective 1992. Last revised 2009
Food Safety Law	Effective 2009. Last revised 2018
Law on Inspection of Import and Export Commodities	Effective 1989. Last revised 2018
Law on Quality and Safety of Agricultural Products	Effective 2006
Regulations on Implementation of the Law on the Entry and Exit Animal and Plant Quarantine	Effective 1997
Implementing Regulations of the Food Safety Law	Effective 2009. Last revised 2019
Implementing Regulations for the Law on Inspection of Import and Export Commodities	Effective 2005. Last revised 2019
Law on Animal Epidemic Prevention	Effective 1997. Last revised January 2021

Source: Information provided by the authorities.

3.161. The Implementing Regulations of the Food Safety Law entered into force in December 2019[139]; changes to these regulations reflect the major changes to the Food Safety Law in 2015 (described in China's previous Review). A draft of the Implementing Regulations was notified to the WTO in 2017.[140] It would appear that an underlying principle of the Law and the Implementing Regulations is that food producers should hold primary accountability for food safety; they also contain provisions on traceability of food and agricultural products sold in China.

3.162. China's 13th Five-Year Food Safety Plan (2016-20) set out the priority goals and associated tasks to improve food safety governance and the development of the food industry.[141] These included, *inter alia*, increasing inspections and testing, addressing pollution, improving food safety standards and their integration with international standards, upgrading research and testing capacities, strengthening enforcement and improving related laws and regulations. The authorities indicate that several steps have been taken to realize the goals in the Food Safety Plan including: projects to formulate or revise standards and inspection methods[142]; revisions to Administrative

[139] Implementation Regulations of the Food Safety Law (which entered into force on 1 December 2019). Viewed at: http://www.gov.cn/zhengce/content/2019-10/31/content_5447142.htm.

[140] WTO document G/SPS/N/CHN/1055, 14 August 2017.

[141] FAO, *13th Five-Year National Food Safety Plan*. Viewed at: http://www.fao.org/faolex/results/details/en/c/LEX-FAOC175008.

[142] These projects covered general standards; hygienic standards for production and operation; supporting inspection methods; and standards for food safety and nutrition practices of formula foods for infants and young children, formula foods for special medical purposes, and group meals for key populations.

Measures on Food Safety Standards[143]; improvements to data collection to inform food safety risk assessments through monitoring activities, studies, and surveys; improvements to quantitative risk assessment techniques and models in the fields of chemistry and microbiology in order to discover and assess food safety hazards developed by the China National Center for Food Safety Risk Assessment; updates to the Manual of National Food Safety Standards; and strengthened sampling inspection and monitoring of food safety. The authorities also indicate that China has become increasingly active in developing international food standards.

3.163. MARA plans to introduce an edible agriculture product compliance certificate system and a National Agriculture Product Quality and Safety Traceability Platform. According to the authorities, these measures are only applicable to domestic production and operation of edible agricultural products.

3.164. From 2018 to early 2021, the GACC signed several memoranda of understanding or cooperation protocol with the relevant authorities in 28 trading partners on SPS-related issues, namely: import and export water product safety cooperation; import and export food safety cooperation; implementing SPS measures; animal and/or plant quarantine/inspection; animal health and quarantine; SPS measures cooperation; further promoting e-certificate exchange and paperless cooperation; food safety and animal and plant health cooperation; implementing paperless cooperation on inspection and quarantine certificates; water product e-certificate cooperation; establishing a cooperation system for joint prevention and control of plant epidemics and diseases in border areas; establishing the SPS measures working group; and notification and control procedures for certain significant poultry diseases.

3.3.3.2 SPS measures

3.165. Between 1 January 2018 and 13 April 2021, China submitted 165 notifications to the WTO Committee on Sanitary and Phytosanitary Measures (SPS Committee), including 2 emergency notifications.[144] The emergency notifications related to the suspension of imports of logs originating in six Australian states to prevent the introduction of quarantine pests[145], and measures with respect to imported cold-chain food to prevent the transmission of COVID-19 (see below).[146] Most of China's notifications during the review period relate to human health and food safety (Chart 3.5). Forty-four of the SPS measures notified by China during the review period were based on international standards, recommendations, or guidelines.

3.166. The authorities indicate that, over the period January 2018 to December 2020, China issued 22 national standards, including 4 revised ones, for animal health and 77 national standards in the phytosanitary area (including 2 revised standards). In 2019, China released the latest versions of the National Food Safety Standard – Maximum Residue Limits for Pesticides in Foods and the National Food Safety Standard – Maximum Residue Limits for Veterinary Drugs in Goods, which are applicable to foods sold in the Chinese market.[147]

3.167. In 2020, the GACC issued the Announcement on Adjusting the Supervision Requirements for Certain Imports and Exports.[148] This is aimed at optimizing the port business environment and reducing the burden on enterprises through removing certain SPS-related reporting, registration, certification, inspection, and other regulatory requirements.

3.168. In order to prevent the reintroduction of the COVID-19 virus through imported cold-chain food and to protect the health and safety of consumers, the GACC implemented emergency preventive measures for foreign manufacturers of imported cold-chain foods with positive novel coronavirus nucleic acid results. This was notified to the WTO as an emergency measure in 2020,

[143] According to the authorities, these revisions involved food safety standards of new food raw materials, new varieties of food-related products, and new varieties of food additives; the harmonization of local and national standards; and the harmonization of the standards set for imported food without national food safety standards.

[144] WTO Sanitary and Phytosanitary Information Management System. Viewed at: http://spsims.wto.org.

[145] WTO document G/SPS/N/CHN/1194, 12 January 2021.

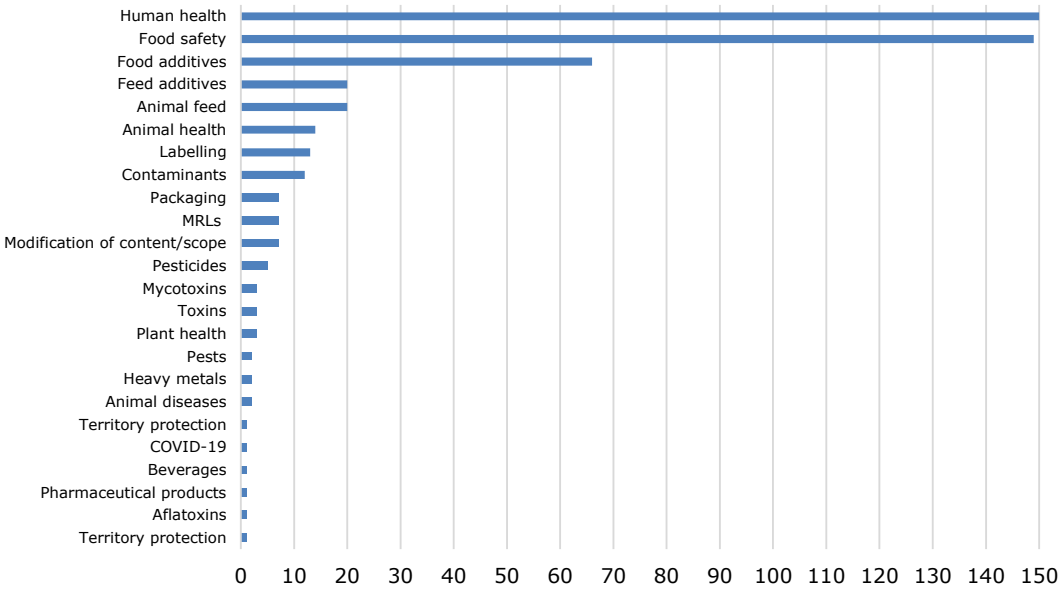
[146] WTO document G/SPS/N/CHN/1173, 21 September 2020.

[147] GB 2763-2019 and GB 31650-2019, respectively.

[148] GACC Announcement No. 9, 2020. Viewed at: http://www.customs.gov.cn/customs/302249/2480148/3262223/index.html.

which is still in force.[149] It has been reported that, in 2020, the city of Shenzhen introduced COVID-19 handling and testing requirements for imports of frozen meat and seafood. In response to the pandemic, China has also taken measures to facilitate the imports of food and agricultural products and simplify sanitary approval for imported special medical supplies (Box 3.1).

Chart 3.5 Main elements contained in SPS measures notified by China, 1 January 2018-13 April 2021



Note: This chart indicates the keywords contained in notifications in the WTO Sanitary and Phytosanitary Information Management System. Most notifications contain more than one keyword.

Source: WTO Sanitary and Phytosanitary Information Management System. Viewed at: http://spsims.wto.org.

3.169. During the review period, eight new STCs were raised in the SPS Committee, regarding: (i) restrictions on imports of US beef; (ii) administrative measures for registration of overseas manufacturers of imported food; (iii) actions related to COVID-19 that affect trade in food and agricultural products; (iv) restrictions related to Highly Pathogenic Avian Influenza (HPAI); (v) recognition of equivalence for third parties as part the China-United States Phase 1 Economic and Trade Agreement; (vi) a proposed new health certificate format for shrimp imports; (vii) restrictions on bovine meat imports; and (viii) delays in approving requests for new listings or reinstatements of export establishments. An additional five STCs were raised in the SPS Committee regarding Chinese measures in place prior to this review period (Table 3.19).

Table 3.19 SPS-related STCs raised against China, 1 January 2018-13 April 2021

STC	Member(s) raising STC, (Members supporting the concern)	First raised/last raised, (number of times subsequently raised)
China's AQSIQ official certification requirements for food imports	Israel, United States, (Australia, Canada, Chile, Costa Rica, European Union, Guatemala, Japan, Republic of Korea, Mexico, Norway, Singapore, Switzerland, and Thailand)	2004/2019, (7)
General import restrictions due to bovine spongiform encephalopathy (BSE)	European Union, United States, (Canada, Switzerland, and Uruguay)	2004/2020, (39)

[149] WTO document G/SPS/N/CHN/1173, 21 September 2020. The notification refers to GACC Announcement on the Implementation of Emergency Preventive Measures for Foreign Manufacturers of Imported Cold-chain Foods with Novel Coronavirus Nucleic Acid Positive Results (Announcement No. 103, 2020).

STC	Member(s) raising STC, (Members supporting the concern)	First raised/last raised, (number of times subsequently raised)
Import restrictions due to African swine fever	European Union	2015/2020, (9)
Proposed amendments to the implementation regulations on safety assessment of agricultural GMOs	Paraguay, United States	2015/2019, (9)
Import restrictions due to HPAI	European Union, United States	2016/2020, (11)
Restrictions on imports of US beef	United States	2019
Administrative measures for registration of overseas manufacturers of imported food	United States, (European Union, Japan, Switzerland, and Thailand)	2020, (1)
Actions related to COVID-19 that affect trade in food and agricultural products	Canada, United States, (Australia, Brazil, Mexico, Paraguay, United Kingdom)	2020, (0)
HPAI-related restrictions	Ukraine	2020, (0)
Recognition of equivalence for third parties as part of the China-United States Phase 1 Economic and Trade Agreement	Australia	2020, (0)
Proposed new health certificate format for shrimp imports	India	2021, (0)
Restrictions on bovine meat imports	India	2021, (0)
Delay in approving requests for new listing and reinstatement of export establishments	Australia	2021, (0)

Source: WTO Sanitary and Phytosanitary Information Management System. Viewed at: http://spsims.wto.org.

3.3.3.3 Inspection and quarantine

3.170. The Law on Entry and Exit Animal and Plant Quarantine and its Implementing Regulations regulate the inspection of animals, plants, and related products that enter, exit, or transit through China; containers, packing materials, and bedding materials that contain or carry animals, plants, and related products; and means of transport from animal/plant epidemic or infected areas. The Catalogue of Entry-Exit Commodities Subject to Inspection and Quarantine list all the imports and exports subject to statutory inspection by the entry and exit inspection and quarantine authorities prior to their commercialization (or exit) into (from) China. The current catalogue is contained in GACC Announcement No. 220, 2019.[150] During the review period, the GACC issued revised measures for the supervision and/or inspection and/or quarantine of imports (and exports) of various products, including cultivation media; fruit; aquatic products, feed, and feed additives; cereals; genetically modified products; meat products, food, dairy products, and aquatic animals; propagation materials for entry plants; animals and plants; genetic materials of animals; cotton; and non-edible animal products.[151]

3.3.3.4 Genetically modified organisms (GMOs)

3.171. China has so far approved the certificates of import safety only for the following genetically engineered crops for processing as raw materials: soybeans, corn, rapeseed, cotton, beets, and papayas, and their products. As indicated by the authorities during China's previous Review, safety evaluation is required for research, testing, production, processing, operation, and import of agricultural GMOs in China.[152] This is undertaken by China's National Agricultural Genetically Modified Organisms Safety Council. China's agricultural GMO safety assessment systems are governed by the Guidelines for the Safety Assessment of Genetically Modified Plants, Guidelines for the Safety Assessment of Genetically Modified Animals, and Guidelines for the Safety Assessment of Genetically Modified Microorganisms for Animals, as well as several measures on safety assessment, testing, and regulation of agricultural GMOs.[153] Reportedly in 2018, MARA amended the regulations on safety assessment, import approval, and labelling of agricultural GMOs; apparently these regulations

[150] GACC Announcement No. 220, 2019. Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/2811876/index.html.
[151] GACC Decrees No. 240 and No. 243, 2018.
[152] WTO document WT/TPR/M/375/Add.1, 1 February 2019.
[153] WTO document WT/TPR/M/375/Add.1, 1 February 2019.

provide for additional in-country trials and studies on new biotech events as part of the dossier submission process.

3.172. The Implementing Regulations of the 2019 Food Safety Law require the introduction of conspicuous labelling requirements for genetically modified foods. China has not replaced the Regulations on Administration of the Labelling of Agricultural Genetically Modified Organisms with the Implementing Regulations of the Food Safety Law.

3.3.4 Competition policy and price controls

3.3.4.1 Competition policy

3.3.4.1.1 Legislative and institutional framework

3.173. During the review period, the legislative and institutional framework of the competition regime underwent significant adjustments. Relevant adjustments are still in progress. As part of the institutional reform of the State Council in 2018, the SAMR was established as the national administrative body for regulating market-related issues, including competition. The previous functions and personnel of the NDRC, the SAIC, and MOFCOM in their respective fields of competition policy merged into the SAMR. Thus, the fragmentation of the administrative enforcement of competition policy came to an end.[154] A new Anti-Monopoly Bureau and a new Price Supervision and Anti-Unfair Competition Bureau were established as the competition agencies within the SAMR. The institutional structure of competition authorities at the provincial and local levels of government has also been adjusted accordingly. The functions of the new Anti-Monopoly Bureau include: (i) coordinating and promoting the implementation of competition policies, and organizing and guiding the review of fair competition; (ii) formulating anti-monopoly measures and guidelines; (iii) organizing the enforcement of anti-monopoly rules; and (iv) undertaking international cooperation and exchanges in anti-monopoly enforcement. The State Council also established an Anti-Monopoly Committee to organize, coordinate, and guide the anti-monopoly work across the country. The Committee is headed by a leader of the State Council and composed of senior officials from relevant ministries and commissions. Following the institutional reform in 2018, the SAMR now serves as the General Office of the Committee and is responsible for its day-to-day work.[155]

3.174. Following the completion of the institutional adjustment, one of the priorities of the SAMR is the adjustment of the competition policy legal framework by updating and integrating relevant departmental rules and guidelines that had been issued by previous enforcement authorities. The Anti-Monopoly Law (AML)[156], the Anti-Unfair Competition Law[157], and the Price Law remain the main legislation in the area of competition policy. The Anti-Unfair Competition Law was revised again in 2019 to strengthen the protection of trade secrets. The SAMR issued several new integrated rules and guidelines, and many previous rules and guidelines ceased to apply. Notably, in June 2019, the SAMR issued new rules concerning monopoly agreements, the abuse of dominant market positions, and the abuse of administrative monopoly. They are: (i) the Interim Provisions on Prohibiting Monopoly Agreements (SAMR Order No. 10, 2019); (ii) the Interim Provisions on Prohibiting Abuse of Dominant Market Positions (SAMR Order No. 11, 2019); and (iii) the Interim Provisions on Prohibiting Abuse of Administrative Power to Eliminate or Restrict Competition (SAMR Order No. 12, 2019). These new rules are expected to unify enforcement procedures and standards in relevant fields. Concerning concentration of undertakings, in September 2018, the SAMR updated and issued seven guiding rules on notifications of concentration of undertakings. In October 2020, the SAMR issued the Interim Provisions on the Examination of Concentration of Undertakings (SAMR Order No. 30, 2020). With regard to competition issues related to IPR, in October 2020, the SAMR amended the Provisions on Prohibiting Abuse of Intellectual Property Rights to Eliminate or Restrict

[154] Since the promulgation of the Anti-Monopoly Law in 2008, the administrative enforcement of the Law had long been divided among the NDRC, MOFCOM, and the former SAIC. There had been the academic view that such an institutional framework had not been able to ensure the full functioning of competition policy because it had diminished coherence in law and policy. See WTO document WT/TPR/S/375/Rev.1, 14 September 2018, paras. 3.148-3.149.

[155] Before the institutional reform in 2018, MOFCOM served as the General Office of the Committee.

[156] For more information about the Anti-Monopoly Law, see WTO document WT/TPR/S/375/Rev.1, 14 September 2018, paras. 3.144-3.145.

[157] The Anti-Unfair Competition Law was amended in 2017 to remove its overlaps with the Anti-Monopoly Law. Major changes were explained in WTO document WT/TPR/S/375/Rev.1, 14 September 2018, para. 3.146.

Competition (SAMR Order No. 31, 2020). In addition, the Anti-Monopoly Committee of the State Council issued several guidelines concerning various aspects of competition policy enforcement. Box 3.2 presents the main applicable laws, regulations, and guidelines dealing with competition policy issues in China.

3.175. The AML is currently under amendment. The main purpose of the amendment is to further improve the anti-monopoly system and rules and enhance the enforcement of the Law. The SAMR published a draft of the amended Law for public comments on 2 January 2020.[158] According to the authorities, 265 comments were received from 75 organizations and citizens. These comments concern almost all aspects of competition policy, including monopoly agreements, abuse of dominant market position, abuse of administrative power, notification of concentration of undertakings, investigation, and legal liability. The draft of the Law was completed and submitted to the State Council in December 2020.

Box 3.2 Main laws, regulations, and guidelines dealing with competition policy issues

Laws
- Anti-Monopoly Law (2007)
- Anti-Unfair Competition Law (as amended in 2019)
- Price Law (1997)

Generally applicable regulations/guidelines
- SAMR Notice on the Authorization of Anti-monopoly Law Enforcement (SAMR Anti-Monopoly Notice No. 265, 28 December 2018)
- SAMR Notice on Special Documentation Templates in Anti-Monopoly Cases (SAMR Anti-Monopoly Notice No. 72, 3 April 2019)
- Provisions on Prohibiting Abuse of Intellectual Property Rights to Eliminate or Restrict Competition (as amended by SAMR Order No. 31, 23 October 2020)
- Guidelines of the Anti-Monopoly Committee of the State Council on the Definition of Relevant Market (24 May 2009)
- Guidelines of the Anti-Monopoly Committee of the State Council on Commitments by Operators in Monopoly Cases (4 January 2019)
- Guidelines of the Anti-Monopoly Committee of the State Council on Conformity with the Anti-Monopoly Laws and Regulations (11 September 2020)
- Guidelines of the Anti-Monopoly Committee of the State Council on Anti-Monopoly in the Field of Intellectual Property Rights (4 January 2019)
- Guidelines of the Anti-Monopoly Committee of the State Council on Anti-Monopoly in the Field of Internet Platform Economy (7 February 2021)

Regulations on abuse of administrative power
- Interim Provisions on Prohibiting Abuse of Administrative Power to Eliminate or Restrict Competition (SAMR Order No. 12, 26 June 2019)
- State Council Opinions on Establishing A Fair Competition Review System in the Development the Market System (Guo Fa No. 34, 2016)
- NDRC, MOF, MOFCOM, SAIC and Legislative Affairs Office of the State Council Notice on Issuing the Detailed Rules for the Implementation of the Fair Competition Review (Trial) (NDRC Notice Jia Jian No. 1849, 2017)
- SAMR Announcement on Issuing the Guidelines for the Implementation of Third-party Assessments in Fair Competition Reviews (SAMR Announcement No. 6, 2019)

Regulations on monopoly agreements
- Interim Provisions on Prohibiting Monopoly Agreements (SAMR Order No. 10, 26 June 2019)
- Guidelines of the Anti-Monopoly Committee of the State Council on the Application of A Leniency Programme in Horizontal Monopoly Agreement Cases (4 January 2019)

Regulations on abuse of dominant market positions
- Interim Provisions on Prohibiting Abuse of Dominant Market Positions (SAMR Order No. 11, 26 June 2019)

Regulations on price-related monopoly
- Provisions on the Administrative Punishment of Price-related Violation (2010 Revision)

[158] The draft amended Law is available at: http://www.samr.gov.cn/hd/zjdc/202001/t20200102_310120.html.

Regulations on concentration of undertakings • Interim Provisions on the Examination of Concentration of Undertakings (SAMR Order No. 30, 2020) • Provisions of the State Council on Thresholds for Prior Notification of Concentrations of Undertakings (State Council Decree No. 529, 2008) • Notification Form of Anti-monopoly Examination on the Concentration of Undertakings (as amended by SAMR on 29 September 2018) • Measures for Calculating the Turnover for the Declaration of Business Concentration in the Financial Industry (MOFCOM, PBOC, China Banking Regulatory Commission, China Securities Regulatory Commission, and China Insurance Regulatory Commission Order No. 10, 2009) • Guidelines on the Procedures of Anti-Monopoly Review of Concentration of Undertakings (29 September 2018) • Guiding Opinions on the Notification of Simple Cases of Concentration of Undertakings (as amended on 29 September 2018) • Guiding Opinions on Prior Notification of Concentration of Undertakings (as amended on 29 September 2018) • Guiding Opinions on Regulating Notification Names for Cases of Concentration of Undertakings (as amended on 29 September 2018) • Guiding Opinions on Documentations and Materials in the Prior Notification of Concentration of Undertakings (as amended on 29 September 2018) • Model Text of Entrustment Agreement on Monitoring the Fulfilment of Attached Remedies in Concentration of Undertakings (non-binding) (amended on 29 September 2018)
Sectoral regulations • Guidelines of the Anti-Monopoly Committee of the State Council on Anti-Monopoly in Automotive Industry (4 January 2019)
Other regulations • Interim Provisions on Regulating Sales Promotion (SAMR Order No. 32, 29 October 2020)

Source: Information provided by the authorities.

3.3.4.1.2 Monopoly agreements

3.176. The AML and the SAMR's Interim Provisions on Prohibiting Monopoly Agreements (SAMR Order No. 10, 26 June 2019) prohibit six types of horizontal agreements: (i) fixing prices; (ii) restricting the availability of products; (iii) splitting the markets; (iv) restricting the purchase or development of new technologies; (v) joint boycotting of transactions; and (vi) other agreements confirmed by the authorities; and three types of vertical agreements: (i) fixing the prices of products resold to a third party; (ii) restricting the lowest prices of products resold to a third party; and (iii) other agreements confirmed by the authorities. The prohibition applies to written or verbal monopoly agreements or decisions and to concerted behaviour among firms without explicit written or verbal agreement. Trade associations are prohibited from introducing charters, rules, decisions, and standards that would eliminate or restrict competition and from organizing or promoting monopoly agreements among their members.

3.177. The AML provides for the application of administrative penalties for concluding and implementing a monopoly agreement, including issuing an order to discontinue the violation, the confiscation of any unlawful gains, and the imposition of a fine of between 1% and 10% of the turnover realized in the previous year. If the monopoly agreement has not yet been implemented, the fine may not exceed CNY 500,000. Monopoly agreements as a result of the abuse of administrative power are equally subject to penalties. Mitigation or exemption from the penalty may be obtained in cases of voluntary collaboration with the investigating authority or by providing material evidence during the investigation. On 4 January 2019, the Anti-Monopoly Committee of the State Council published Guidelines on the Application of a Leniency Programme in Horizontal Monopoly Agreement Cases, according to which, generally speaking, a maximum of three qualified operators may be granted lenient treatment. The first company that applies for leniency will be given full or no less than 80% immunity from the fine; the second company, 30%-50%; the third, 20%-30%; and others, no more than 20%.

3.3.4.1.3 Dominant market positions

3.178. The AML and the SAMR's Interim Provisions on Prohibiting Abuse of Dominant Market Positions (SAMR Order No. 11, 26 June 2019) prohibit operators holding dominant market positions from certain types of conduct by abusing their dominant position. For instance, these firms are prohibited from: (i) selling products at unfairly high prices or purchasing products at unfairly low

prices[159]; (ii) selling products at prices below costs without valid reasons; (iii) refusing to deal with counterparts, or imposing anti-competitive conditions in transactions; (iv) unreasonable product bundling; (v) applying differential prices among counterparts on an equal footing; and (vi) refusing counterparts access to essential facilities without justified reasons.

3.179. The Interim Provisions also make it clear that operators in the public utility sectors, such as water, electricity, gas, heating, telecommunications, cable television, postal services, and transportation, should not abuse their dominant market position to hurt consumers.

3.180. Operators found to have violated relevant provisions may be subject to the confiscation of any unlawful gains and to fines of 1%-10% of the turnover achieved in the previous year.

3.3.4.1.4 Mergers and acquisitions

3.181. According to the AML, the Provisions of the State Council on Thresholds for Prior Notification of Concentrations of Undertakings (State Council Decree No. 529, 2008) and the SAMR's Interim Provisions on the Examination of Concentration of Undertakings (SAMR Order No. 30, 2020), all concentrations reaching certain thresholds must be notified to the SAMR for approval before any concentration activity takes place. Concentrations may take the form of merger, acquisition, or business control through contract. The notification thresholds are: (i) a combined worldwide turnover of all concerned operators exceeding CNY 10 billion in the year preceding the merger, and an individual turnover in the mainland of China of at least two of the operators exceeding CNY 400 million; or (ii) a combined turnover in the mainland of China of all concerned operators exceeding CNY 2 billion in the year preceding the merger, and an individual turnover in China of at least two operators exceeding CNY 400 million. In case the SAMR concludes that the proposed concentration has or could have the effect of eliminating or restricting competition, the SAMR will allow the notifying operator to submit additional written comments and materials to support their application.

3.182. Operators participating in a concentration proposal may submit to the SAMR a proposal with a commitment to implement certain remedies that would alleviate the anti-competitive effect. The SAMR may attach three types of remedies to an approved concentration: (i) structural remedies requiring the disinvestment of tangible assets, IPRs, and other intangible assets, or relevant rights and interests, etc.; (ii) behavioural remedies such as operators making available their respective networks, platforms, and other infrastructure; licensing key technologies (including patents, proprietary technologies, or other IPRs); and terminating exclusive agreements; and (iii) a combination of structural and behavioural remedies. For concentrations approved subject to additional conditions, relevant operators are obliged to report to the SAMR on how relevant conditions are fulfilled. The SAMR may monitor and check the fulfilment by itself or through a trustee. Trustees that have not fulfilled their monitoring obligations may face a fine of no more than CNY 30,000.

3.183. To facilitate notification, swift review procedures were established for cases that are defined as "simple cases". The relevant rules are contained in the SAMR's Interim Provisions on the Examination of Concentration of Undertakings and the SAMR Guiding Opinions on the Notification of Simple Cases of Concentration of Undertakings (as amended on 29 September 2018).[160] The simple

[159] Article 14 of the Interim Provisions provides that consideration may be given to prices offered by different operators in the same market, prices offered by the same operator in the same or similar markets, and abnormal price fluctuation in relation to production cost.

[160] Article 17 of the SAMR's Interim Provisions on the Examination of Concentration of Undertakings (SAMR Order No. 30, 2020) provides that a concentration shall be considered as a simple case when: (i) in the same relevant market, the total market share of all business operators participating in the concentration is less than 15%; (ii) an upstream-downstream relationship exists among the business operators participating in the concentration, and the market share of such business operators in both the upstream and the downstream markets is less than 25%; (iii) the business operators participating in the concentration are neither in the same relevant market nor have any upstream-downstream relationship, and their market share in each market relevant to the concentration is less than 25%; (iv) the business operators participating in the concentration intend to establish a joint venture abroad, which will not engage in any economic activities within the territory of China; (v) the business operators participating in the concentration intend to acquire the equity or assets of an overseas enterprise that does not engage in any economic activities within China; or (vi) a joint venture jointly controlled by two or more business operators will be controlled by one or more of the existing business operators after the concentration.

cases shall be published on the SAMR website for 10 days for public comment. Simple cases require simpler documentation and less consultation and are intended to result in higher efficiency and shorter timelines.

3.3.4.1.5 Administrative monopoly

3.184. The AML generally prohibits administrative organs or organizations empowered by law or administrative regulation to administer public affairs from abusing their administrative power to eliminate or restrict competition. On 26 June 2019, the SAMR issued the Interim Provisions on Prohibiting Abuse of Administrative Power to Eliminate or Restrict Competition (SAMR Order No. 12, 2019). The Interim Provisions further elaborate on the prohibitions defined in the AML. Under the provisions of the AML, remedies against administrative monopoly consist of rectification orders by the superior authorities, together with punishment of officials in charge and other directly liable persons.

3.185. To address administrative monopolies, China continuously promoted fair competition review of all of its administrative policies and measures during the review period. The initiative started in 2016 under the guidance of the State Council Opinions on Establishing a Fair Competition Review System in the Development the Market System (Guo Fa No. 34, 2016). It aims to tackle anti-competitive issues such as local protectionism, regional market closure, barriers to market entry, and illegal preference polices, which are caused by inappropriate administrative measures of the Government. The mechanism requires that all administrative rules, norms, and measures in relation to market access, industrial development, investment promotion, tendering activities, government procurement, business operation norms, and qualification criteria go through fair competition review before being introduced. Any administrative measures that have the effect of eliminating or restricting competition should not be put into place unless they fall into the exceptions prescribed by the State Council Opinions. In the course of policy-making and fair competition review, the authorities should hear the viewpoints of stakeholders or collect public comments. In 2017, the NDRC, the MOF, MOFCOM, the SAIC, and the Legislative Affairs Office of the State Council jointly issued the Detailed Rules for the Implementation of the Fair Competition Review (Trial) (NDRC Notice Jia Jian No. 1849, 2017). The SAMR, the NDRC, the MOF, and MOFCOM jointly published the Notice on Clearing Policies and Measures that Impede the Single Market and Fair Competition (SAMR Anti-Monopoly Notice No. 245, 2019) on 25 December 2019 and the Notice on Further Promoting Fair Competition Reviews (SAMR Anti-Monopoly Notice No. 73, 2020) on 9 May 2020. The latter requires that such clearing work be conducted periodically in the future. According to the authorities, 1.89 million documents were examined in 2019 and 2020, and nearly 30,000 of them were abolished or revised.

3.3.4.1.6 Enforcement

3.186. Following the institutional reform of 2018, the SAMR has been the main anti-monopoly enforcement agency in China. On 28 December 2018, the SAMR circulated the Notice on the Authorization of Anti-monopoly Law Enforcement (SAMR Anti-Monopoly Notice No. 265, 2018) that specifies the enforcement mechanism and the obligations of relevant authorities. According to the Notice, the SAMR is directly responsible for cross-provincial anti-monopoly cases, anti-competitive conduct of provincial governments involving abuse of their administrative power, and complicated cases and cases of nationwide significance. The SAMR may delegate such responsibilities to provincial-level administrations. The SAMR may also ask provincial-level administrations to carry out investigations in specific cases on its behalf. These administrations are also responsible for anti-monopoly cases within their respective regions. The Notice also requires that enforcement agencies at different levels take a proactive approach in handling anti-monopoly cases and preventing anti-monopoly conduct. It also emphasizes the importance of consistent enforcement procedures and criteria, improving transparency in relevant cases, strengthening the capacity of enforcement agencies, and enhancing competition advocacy.

3.187. In December 2020, the SAMR published its first enforcement annual report, the 2019 Annual Report on Anti-Monopoly Enforcement in China.[161] According to the Report, in 2019, the SAMR and the provincial administrations for market regulation initiated 103 monopoly investigations, including 28 cases on monopoly agreements, 15 on abuse of dominant market positions, 24 on abuse of administrative power, and 36 on illegal concentration of undertakings. Among those 103 cases,

[161] SAMR. Viewed at: http://www.samr.gov.cn/xw/zj/202012/P020201224808232684415.pdf.

46 were closed, and fines totalling CNY 320 million were issued. These cases mainly concerned the following industries: natural gas, pharmaceuticals, auto parts, milk powder, transportation, storage, and real property. Investigated undertakings include SOEs, FIEs, private companies, and industrial associations. Concerning concentration of undertakings, the SAMR received 503 notifications, investigated 462 cases, and concluded 465 cases. Among the closed cases, five were approved with conditions, accounting for about 1.1%. Decisions on monopoly cases and the reviews of concentration cases are published on the SAMR website (http://www.samr.gov.cn/fldj/tzgg/). The 2019 Annual Report on Anti-Monopoly Enforcement also presented 11 typical anti-monopoly cases, covering different types of anti-monopoly conducts.

3.3.4.1.7 International cooperation

3.188. China has been active in international cooperation in the area of competition policy. By mid-2020, China signed 53 international anti-monopoly cooperation documents with 32 countries and regions and established bilateral and multilateral anti-monopoly cooperation mechanisms. Since its establishment in 2018, the SAMR has signed bilateral memoranda of understanding (MOUs) on anti-monopoly cooperation with the competition authorities of the European Union, Japan, the Republic of Korea, Serbia, Belarus, the Philippines, and Morocco. China and the Russian Federation renewed their MOU on the Implementation of the Agreement on Cooperation and Exchanges in Anti-monopoly and Anti-Unfair Competition (2020-21). The SAMR extended the MOU on Cooperation with BRICS Countries in the Field of Competition Laws and Policies.[162] China actively participated in the BRICS Competition Conference and furthered cooperation with BRICS countries in competition policy. China also carried out cooperation and coordination in many merger and monopoly agreement cases with its trade partners such as Canada, the European Union, Germany, India, the United States, the Russian Federation, and South Africa. China also participated in the United Nations Conference on Trade and Development (UNCTAD) activities in the area of competition and consumer protection.

3.189. There are competition chapters in China's bilateral FTAs with seven separate countries, as well as the Regional Comprehensive Economic Partnership (RCEP) Agreement and the Agreement on Economic and Trade Cooperation with the Eurasian Economic Union (EAEU). Discussions on such chapters are ongoing in the context of several other FTA or FTA upgrade negotiations, including those with Japan and the Republic of Korea, the Gulf Cooperation Council, Norway, the Republic of Moldova, Israel, and Peru.

3.3.4.2 Price controls

3.190. There were no changes to the legislation concerning price controls during the review period. Article 18 of the Price Law[163] authorizes the competent authorities to carry out, when necessary, price controls over: (i) products that have a significant bearing on the national economy and people's livelihoods; (ii) a limited number of rare products; (iii) products of natural monopoly; (iv) key public utilities; and (v) key public services. Laws and regulations on specific industrial/service sectors may also contain provisions on price administration that reaffirm that relevant business operators or service providers should follow the principles and rules set out by the Price Law. These laws and regulations include, *inter alia*, the Pharmaceutical Administration Law, the Railway Law, the Postal Law, the Compulsory Education Law, the Notary Law, the Decision of the Standing Committee of the National People's Congress on the Administration of Judicial Authentication, the Civil Aviation Law, and the Commercial Bank Law. Laws and regulations related to price controls are summarized in Table 3.20.

3.191. Price controls take two forms: "government-set prices" or "government-guided prices". Government-set prices are fixed prices set by the competent authorities, while government-guided prices are prices set by business operators within a range of prices set by the competent pricing departments or other related government departments, within which the real price is allowed to fluctuate. The determination of government-set prices or government-guided prices varies according to the type of product or service. Consideration is usually given to the market situation and average social costs, as well as economic, regional, and seasonal factors, and development and social needs.

[162] BRICS countries are Brazil, the Russian Federation, India, China, and South Africa.

[163] MOFCOM. Viewed at: http://english.mofcom.gov.cn/article/policyrelease/Businessregulations/201303/20130300046121.shtml.

Table 3.20 Department rules related to price controls, 2021

Laws/regulations	
Central Government Pricing Catalogue	NDRC Order No. 31, 2020
Regulations on Government Pricing	NDRC Order No. 7, 2017
Measures on Monitoring and Auditing the Costs in Government Pricing	NDRC Order No. 8, 2017
Measures on Hearings in Government Pricing	NDRC Order No. 2, 2008
Regulations on Prohibiting Low Price Dumping	State Planning Commission[a] Order No. 2, 1999
Regulations on Prohibiting Price Fraud	State Planning Commission Order No. 15, 2001
Provisions on Price Monitoring	NDRC Order No. 1, 2003
Administrative Measures on the Price of Water Supplied by Conservancy Projects	NDRC and the Ministry of Water Resources Order No. 4, 2003

a The State Planning Commission is the predecessor of the National Development and Reform Commission and was replaced by the latter in 2008 in the internal reorganization of the State Council.

Source: Information provided by the authorities.

3.192. The commodities and services subject to price controls are listed in a Central Government Pricing Catalogue and in Local Government Pricing Catalogues compiled by the provinces, autonomous regions, and municipalities, and they approved by the State Council. The Catalogues are updated regularly. The current Central Government Pricing Catalogue was issued by the NDRC on 13 March 2020 (NDRC Order No. 31, 2020) and came into effect on 1 May 2020.[164] The previous Catalogue (NDRC Order No. 29, 2015) was replaced at the same time.

3.193. Products subject to government-set or -guided prices are listed in Table 3.21. Currently, less than 3% of the economy is covered by price controls.

3.194. Products and services subject to prices set or guided by local governments are summarized in Table 3.22.

Table 3.21 Products/services subject to price controls by the Central Government, 2021

Item	Pricing contents		Remarks
Electricity transmission and distribution	Electricity transmission-distribution price at or above the provincial level		
Oil and gas pipeline transportation	Trans-provincial (autonomous region or municipality directly under the Central Government) pipeline transportation price		Except for the internal pipelines of enterprises
Basic transportation	Railway transportation services	Hard seat and hard sleeper passenger fares of ordinary passenger trains on railways wholly owned or controlled by the Central Government through stockholding	Powered car trainsets and newly built railway-passenger-dedicated lines controlled by social capital investment are not included in the pricing range.
		Bulk cargo and baggage transportation prices of the railways wholly owned or controlled by the Central Government through stockholding	The pricing range covers the transportation prices of coal, oil, grains, fertilizers, and other full-car loads of cargos and baggage, except for cargo transportation through newly built railways controlled by social capital investment.
	Port services	Service fees of the monopolistic services of the main ports along the coast and the main trunk of the Yangtze River and all the other ports open to vessels of foreign nationality	The pricing range covers the entering and leaving ports, and the berthing and departing of ships, port security, and other services.

[164] The Central Government Pricing Catalogue. Viewed at: https://www.ndrc.gov.cn/xxgk/zcfb/fzggwl/202003/t20200316_1223371.html.

Item	Pricing contents		Remarks
	Civil aviation services	Passenger fares for domestic civil air routes and domestic sections of international civil air routes not eligible for competition Fees of the monopolistic part of safeguard services for civil aviation	Except for first-class and business-class fares The pricing range covers the service fees of the monopolistic services of civil airports and military and civil dual-use airports, flight inspection service fees of civil airlines, and civil air traffic management service fees.
Water supply of major water conservancy projects	Prices for water supplied by trans-provincial (autonomous region or municipality directly under the Central Government) water conservancy projects directly under the Central Government		Except for the prices negotiated voluntarily between suppliers and demanders
Important postal services	Mail delivery fees Postal remittance fees Classified mail correspondence fees Fees for the distribution of newspapers and periodicals prescribed by the State Mailing fees of packages with the single weight of less than 10 kg		Except for competitive fields (including volume weight-calculated packages)
Important professional services	Basic service charges of commercial banks, bank card transaction fees		The pricing range covers the basic services of commercial banks such as transfer and remittance, cash remittance and bills, and bank card transaction services (except for competitive links such as acquiring service fees).
Special drugs and blood	Special drugs Blood	Prices of narcotic drugs and the first category of psychotropic drugs Supply prices at blood banks of blood for clinical use by citizens	

Source: Information provided by the authorities.

Table 3.22 Products/services subject to price controls by local governments, 2020

Product	Type of control/rationale	Regulation
Environment protection charges	The compensated use and trading of pollutant discharge right and hazardous wastes disposal charges are subject to local government pricing regulation. Rationale: public utilities	Regulations on Urban Drainage and Sewage Treatment
Urban household garbage disposal charges	Urban household waste charges are subject to local government pricing regulation. Rationale: public utilities	Circular on Implementing Urban Household Garbage Disposal Charges and Promoting Garbage Disposal Industrialization
Sewage disposal charges	Sewage disposal charges are subject to local government pricing regulation. Rationale: public utilities	Measures for the Administration of Collection Standards for Pollutant Discharge Fees
Real estate prices and charges of related services	Economical housing, low-price house rental, and property service charges are subject to local government-guided prices. Rationale: public service	Administrative Measures on Economical Housing Administrative Measures on Low-price House Rental
Entrance to state-owned key sightseeing sites	Prices are subject to regulation of local government pricing or local government-guided prices. Rationale: public service	Tourism Law

Source: Information provided by the authorities.

3.195. The Government continues to implement the minimum procurement price (MPP) policy in government procurements of unhusked rice and wheat in their main production areas so as to maintain stable prices. In October 2019, the Government announced that the MPP of wheat would

remain unchanged in 2020, with a total procurement volume of 37 million tonnes. In February 2020, the Government announced that the MPP of unhusked rice would remain basically the same as in the previous year with a total government procurement volume of 50 million tonnes.

3.3.5 State trading, state-owned enterprises, and privatization

3.196. China provided its last full notification on state trading enterprises (STEs) in 2018.[165] The authorities indicate that a new notification would be submitted before mid-July 2021. The legislation regulating state trading has not changed since 2014, nor have the reasons for maintaining this practice or the products subject to it. According to the authorities, state trading remains in place to ensure a stable supply and price of the products concerned, ensure food security, and protect exhaustible and non-recyclable natural resources and the environment.

3.197. STEs in China have the exclusive right to import or export the following products: wheat, maize, sugar, tobacco, rice, cotton, crude and processed oil, refined coal, chemical fertilizers, tungsten and tungstate products, antimony, and silver. The authorities indicate that STEs in China operate following the market mechanism, with no government interference.

3.198. The authorities indicate that the following companies can be considered as STEs: China Tobacco International Inc., China National Offshore Oil Corporation, Sinochem Group, China International Petroleum and Chemicals Co. Ltd., China National Agricultural Means of Production Group Co., Chinatex Corporation Co. Ltd., and Xinjiang Yin Long International Agriculture Cooperation Co. Ltd.[166]

3.199. In China's economy, state ownership of companies is important and coexists with diverse forms of private ownership. State participation varies from wholly SOEs and majority state ownership to the State acting as another shareholder. The authorities note that the preponderance of public ownership is upheld in China's economy; the State encourage the development of a mixed-ownership economy, which involves cross-ownership holdings and an integration between state-owned, collective, non-public (private), and other types of capital. The private sector is dominant in industries such as clothing, food, and assembly for export, while companies are predominantly state-owned in sectors such as energy, utilities and transport, and financial and telecom services. SOEs are divided into commercial entities and public welfare entities.

3.200. The authorities indicate that, while privatization of SOEs is not planned, progress has been achieved in mixed-ownership reform. According to the authorities, in November 2020, the Central Commission for Comprehensive Reforms approved a new proposal for a structural plan of China's SOEs.

3.201. The number of state-owned industrial enterprises in the industrial sector increased slightly during the past years, whereas their number in the construction sector fell (Table 3.23). Profits of industrial SOEs increased until 2018, but fell strongly in 2019. SOEs and their subsidiaries with mixed ownership also play an important role on the stock markets.

3.202. The State-Owned Asset Supervision and Administration (SASAC) is in charge of contributing capital to, and appointing top managers in, SOEs under its management. It acts as a representative of the Government and is directly subordinated to the State Council. In January 2021, the number of SOEs under SASAC's authority totalled 97 (compared with 98 in January 2018), 428 subsidiaries of which are listed on national or international stock exchanges. No information was available on the number of employees or total assets of the companies controlled by SASAC. SOEs in the financial sector are controlled by the State Council and the MOF.

3.203. The legal status of SOEs varies from fully Government-owned entities to stock companies with the State or state agencies as the dominant stockholder. Hence, many large and formally private companies that may even be traded on the stock market have the State as an important or major shareholder, through direct ownership or state investment vehicles. For example, Ping An

[165] WTO documents G/STR/N/16-17/CHN, 24 July 2018.

[166] These companies are mentioned in WTO documents G/STR/Q1/CHN/9 and G/C/W/749, 13 December 2017.

Insurance, China's biggest insurance company, has Shenzhen Investment as its single largest shareholder, and several other state entities also own significant portions of the company.[167]

Table 3.23 SOEs in China's economy, 2013-19

Sector	2013	2014	2015	2016	2017	2018	2019
Industrial sector[a]							
Number of total enterprises	369,813	377,788	383,148	378,599	372,729	378,440	377,815
Number of SOEs[b]	18,574	18,808	19,273	19,022	19,022	18,670	20,683
% of SOEs	5.0	5.0	5.0	5.0	5.1	4.9	5.5
Total assets (CNY billion)	87,075	95,678	102,340	108,587	112,191	113,438	120,587
Total assets of SOEs[b] (CNY billion)	34,399	37,131	39,740	41,770	43,962	43,991	46,968
% of SOEs	39.5	38.8	38.8	38.5	39.2	38.8	38.9
Total profits (CNY billion)	6,815	6,815	6,619	7,192	7,492	6,635	6,580
Total profits of SOEs[b] (CNY billion)	1,592	1,451	1,142	1,232	1,722	1,858	1,607
% of SOEs	23.4	21.3	17.2	17.1	23.0	28.0	24.4
Construction							
Number of enterprises	78,919	81,141	80,911	83,017	88,074	95,400	..
Number of SOEs	3,847	3,753	3,603	3,593	3,453	3,080	..
% of SOEs	4.9	4.6	4.5	4.3	3.9	3.2	..
Gross output value (CNY billion)	16,037	17,671	18,076	19,357	21,394	23,509	..
Gross output value of SOEs (CNY billion)	2,074	2,207	2,177	2,385	2,641	2,626	..
% of SOEs	12.9	12.5	12.0	12.3	12.3	11.2	..

.. Not available.

a Including mining, manufacturing, and production and supply of electricity, gas, and water.
b Numbers referring to SOEs including state-holding enterprises.

Source: National Bureau of Statistics, *China Statistical Yearbook* (various issues).

3.204. Of China's 10 largest SOEs, 3 are under SASAC's supervision (Table 3.24). The State remains a majority shareholder in 16 of the 100 largest publicly listed Chinese companies.

Table 3.24 China's 10 largest state-owned enterprises, 2020

(USD billion)

Company name	Revenue
SINOPEC Group[a]	407.0
State Grid	383.9
China National Petroleum[a]	379.1
China State Construction Engineering[a]	205.8
Industrial & Commercial Bank of China	177.1
China Construction Bank	158.9
Agricultural Bank of China	147.3
Bank of China	135.1
China Life Insurance	131.2
SAIC Motor	122.1

a Controlled by SASAC.

Source: Fortune Global 500.

3.205. SOEs are very important in China's economy, in particular for the Government's employment and social and regional policy objectives. While no official figures exist on employment in SOEs and their share in GDP, an academic study estimated that in 2017 their share in GDP was between 23% and 28%, and that their share in employment was between 5% and 16%.[168] According to the IMF, the productivity of China's SOEs is generally low compared with that of privately owned companies; the average productivity gap between SOEs and private companies is estimated at about 20%.[169]

[167] The authorities state that China's state-owned enterprises are all legal persons established in accordance with the Company Law and are not part of the Government. According to the authorities, based on commercial considerations, state-owned enterprises make independent decisions to make equity participation into private enterprises including large listed private companies.

[168] Zhang, C. (2019), *How Much Do State-Owned Enterprises Contribute to China's GDP and Employment?*, World Bank document. For the industrial sector, it has been estimated that SOEs in 2017 made up 18% of employment, 39% of assets, and 23% of sales revenue. Viewed at: http://documents1.worldbank.org/curated/en/449701565248091726/pdf/How-Much-Do-State-Owned-Enterprises-Contribute-to-China-s-GDP-and-Employment.pdf.

[169] IMF (2021): *People's Republic of China, Staff Report for the 2020 Article IV Consultation*, IMF Country Report No. 21/6. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2021/01/06/Peoples-Republic-of-China-2020-Article-IV-Consultation-Press-Release-Staff-Report-and-49992.

The authorities state that they do not agree with the IMF's conclusion. The IMF also suggests that SOE reform would significantly lift productivity and growth.

3.206. The importance of SOEs in China's economy, coupled with high amounts of financial support, may affect the functioning of market-oriented policies and practices. It would appear that SOEs in China often benefit from credits extended by state banks or other forms of financing, implicit guarantees, capital injections, and preferential access to inputs. The authorities object to this statement and indicate that SOEs in China operate under market conditions, with no privileges granted by the Government.

3.207. It would appear that the China Structural Reform Fund, set up by 10 SOEs in September 2016, aims to optimize the management of Central Government enterprises, through the financing of SOE restructuring, overseas mergers and acquisitions, and capacity adjustment, with a view to enhancing industrial integration and improving the performance and efficiency of capital operations. The authorities state that the Fund is established, invested, and operated in a market-oriented manner. According to the authorities, no information is available on the paid-in capital of the Fund.

3.208. In July 2020, China established a bailout fund with a fundraising target of CNY 100 billion to provide emergency funding for SOEs short on cash in order to avoid possible defaults. The authorities indicate that the Fund is a market-based credit safeguard fund for central SOEs. No information was available on the fund's filling rate or disbursements.

3.209. The AML stipulates that for SOEs legally enjoying exclusive rights in production and sales or activities in sectors considered vital for China's economy and to safeguard national security, the State shall, in order to protect the consumer interest and facilitate technological advancement: (i) protect these business operations; and (ii) supervise and control these business operations and the prices of relevant services and commodities provided by these operators (Section 3.3.4).

3.3.6 Government procurement

3.3.6.1 Overview

3.210. According to data provided by the authorities, the total value of government procurement in China was CNY 3.3 trillion in 2019 (the latest year for which data were made available), accounting for 3.3% of GDP (Table 3.25). The majority of procurement takes place at the sub-Central Government level. Procurement by local entities accounted for 91.9% of China's total value of government procurement in 2019; in the same year, procurement by the Central Government accounted for 8.1%.[170]

Table 3.25 Government procurement by type of purchase, 2017-19

(CNY billion)

	2017	2018	2019
TOTAL	3,211.4	3,586.1	3,306.7
Goods	800.2	806.5	860.7
Central Government entities	110.4	122.9	146.4
Local government entities	689.8	683.6	714.3
Construction and engineering services	1,521.1	1,571.4	1,500.4
Central Government entities	52.0	60.4	67.5
Local government entities	1,469.1	1,511.0	1,432.9
Other services	890.2	1,208.1	945.5
Central Government entities	28.9	40.7	52.7
Local government entities	861.3	1,167.5	892.9
Total procurement by the Central Government	191.3	224.0	266.6
Total procurement by local government entities	3,020.2	3,362.1	3,040.0

Source: Information provided by the authorities.

[170] Among the 31 provincial-level governments that report procurement data to the Central Government, the top 10 provinces/municipalities in terms of government procurement contract value are Guangdong, Shandong, Jiangsu, Henan, Zhejiang, Anhui, Sichuan, Shanghai, Guangxi, and Hebei.

3.3.6.2 Legal and institutional framework

3.211. There have been no major changes to China's legislative and regulatory regime concerning government procurement since the previous Review. The Government Procurement Law remains the primary legislation regulating government procurement activities.[171] It applies to procurements of goods, services, and construction works by state organs, public institutions, and social organizations.[172] The Government Procurement Law does not apply to SOEs; a large number of infrastructure projects and public utility works carried out by SOEs are therefore excluded from the scope of application of the Government Procurement Law. Furthermore, Article 4 of the Government Procurement Law provides that the construction works that fall within its definition of government procurement, i.e. those works procured by state organs, public institutions, and social organizations (and not SOEs), must follow the tendering procedures set out by the Tendering Law when tendering is used as the procurement method. In all events, such construction works must still follow other policy requirements set out by the Government Procurement Law. The Tendering Law regulates tendering procedures regardless of whether the tendering concerns a project of a government agency or an SOE. Furthermore, according to the Government Procurement Law, the Central Military Commission issues separate regulations concerning military procurement and administrates their enforcement.

3.212. Both the Government Procurement Law and the Tendering Law are currently under amendment. The draft amended Bid Invitation and Tendering Law was published online for public comment from 3 December 2019 to 1 January 2020.[173] A further revised draft reflecting those public comments has been submitted to the State Council for review. At present, the Ministry of Justice is organizing a legislative review of the draft amendments. According to the Explanatory Note on the Draft[174], the amended Tendering Law will, *inter alia*: (i) redefine its scope of application and deregulate tendering activities in private investments; (ii) enhance transparency of tendering activities; (iii) adjust the time periods in tendering procedures in order to improve efficiency; (iv) restrict the use of lowest price criteria in tender evaluation and encourage life-cycle cost assessment; (v) promote e-tendering; (vi) clarify tendering requirements in public-private partnership (PPP) projects; and (vii) enhance anti-collusion in tendering and the monitoring of contract performance. The draft amended Government Procurement Law was published online for public comment from 4 December 2020 to 5 January 2021.[175] According to its Explanatory Note, the amended Government Procurement Law will, *inter alia*: (i) adjust the scope of application of the Government Procurement Law[176]; (ii) give full play to the policy goals of government procurement policy by including provisions on promoting innovation and safeguarding the interest of vulnerable groups, and specify relevant competent authorities and implementation measures; (iii) improve and clarify government procurement methods and procedures; (iv) improve the system of government procurement contracts; (v) strengthen demand management in government procurement; (vi) enhance the position of procuring entities; and (vii) simplify supplier qualification procedures. According to the authorities, the revision of the two Laws will further align China's government procurement and tendering administration systems and harmonize the application of the two Laws.

3.213. The MOF and local financial departments at different levels of the government are the competent authorities to apply the Government Procurement Law. The NDRC and the Development and Reform Commissions at the sub-central levels of the government are authorities that guide and coordinate the implementation of the Tendering Law. They have issued various measures and

[171] For more information on the Government Procurement Law, the Tendering Law, and their respective Implementing Regulations, see WTO document WT/TPR/S/375/Rev.1, 14 September 2018, paras. 3.191-3.192.

[172] According to the authorities, "state organs" include organs of state power, administrative organs, judicial organs, procuratorial organs, and military organs. The term "public institutions" refers to public service organizations that are established by state organs or other organizations established by state-owned assets to carry out activities in the fields of education, science and technology, culture, and hygiene. There is no definition of "social organizations" in China's legal system.

[173] NDRC. Viewed at: https://www.ndrc.gov.cn/hdjl/yjzq/yjfk/zbtbf/202001/t20200103_1218432.html.

[174] The Explanatory Note on the Draft was published together with the draft amended Law.

[175] Ministry of Finance. Viewed at: http://tfs.mof.gov.cn/zhengcefabu/202012/t20201204_3632547.htm.

[176] The amended draft Law provides that government procurement refers to the act of obtaining goods, construction works, and services by state organs, public institutions, social organizations, and other procuring entities, for the purpose of fulfilling government affairs and public services, via contract means with fiscal funds or other public resources.

guidelines to implement the two Laws and their Implementation Regulations. The departments responsible for industry and information technology, housing and urban-rural development, transport, railways, water resources, commerce, and civil aviation under the State Council issued their own administrative measures and/or guidelines on the application of the two Laws. The SASAC and local state-owned assets supervision and administration departments at different levels of the government guide SOEs to improve their internal control systems and regulate their operation from an investor representative's perspective so as to ensure their full compliance with relevant laws, regulations, and institutional requirements. Table 3.26 provides a list of major government procurement-related laws, regulations, and administrative measures applicable nationwide.

Table 3.26 Government procurement-related laws, regulations, and administrative measures

Law/Regulation	Promulgation year	Latest amendment
Government Procurement Law	**2002**	**2014**
Regulations for the Implementation of the Government Procurement Law	2015	
Administrative Measures on Tendering for Government Procurement of Goods and Services	MOF Order No. 18, 2004	MOF Order No. 87, 2017
Administrative Measures on Government Procurement by Non-Bid Procurement Methods	MOF Order No. 74, 2013	
Measures for the Administration of Government Procurement of Imported Products	MOF Notice Cai Ku No. 119, 2007	
Administrative Measures on Release of Government Procurement Information	MOF Order No. 19, 2004	MOF Order No. 101, 2019
Measures on Government Procurement Challenges and Complaints	MOF Order No. 20, 2004	MOF Order No. 94, 2017
Administrative Measures on Government Procurement of Public-Private Partnership Projects	MOF Notice Cai Ku No. 215, 2014	
Measures on Promoting the Development of Small and Medium Enterprises through Government Procurement	MOF Notice Cai Ku No. 46, 2020	
Notice of the Ministry of Finance, the National Development and Reform Commission, the Ministry of Ecology and Environment and the State Administration for Market Regulation on Adjusting and Optimizing Execution Mechanisms for Government Procurement of Energy-saving Products and Environmentally Labelled Products	MOF Notice Cai Ku No. 9, 2019	
Notice of the Ministry of Finance and the Ministry of Ecology and Environment on Environmentally Labelled Product Categories and Items for Government Procurement	MOF Notice Cai Ku No. 18, 2019	
Notice of the Ministry of Finance and the National Development and Reform Commission on Energy-Saving Product Categories and Items for Government Procurement	MOF Notice Cai Ku No. 19, 2019	
Notice of the Ministry of Finance on Promoting Fair Competition and Optimizing the Business Environment in Government Procurement	MOF Notice Cai Ku No. 38, 2019	
Notice of the Ministry of Finance on the Public Disclosure of Government Procurement Intentions	MOF Notice Cai Ku No. 10, 2020	
Notice of the General Office of the Ministry of Finance on Printing and Issuing the Standard Format for Government Procurement Announcements and Publicizing Information (2020)	MOF Notice Cai Ban Ku No. 50, 2020	
Tendering Law	**1999**	**2017**
Regulations for the Implementation of the Tendering Law	2011	2017, 2018, and 2019
Provisions on Construction Projects Subject to Mandatory Tendering	NDRC Order No. 16, 2018	
Provisions on Infrastructure and Utilities Projects Subject to Mandatory Tendering	NDRC Order Fa Gai Fa Gui No. 843, 2018	
Notice on Improving the Implementation of the Provisions on Construction Projects Subject to Mandatory Tendering and the Provisions on Infrastructure and Utilities Projects Subject to Mandatory Tendering	NDRC Notice Fa Gai Ban Fa Gui No. 770, 2020	
Administrative Measures for Franchising Projects in Infrastructure and Public Utilities	NDRC Order No. 25, 2015	
Interim Provisions on Bid Evaluation Committees and Bid Evaluation Methods	SDPC Order No. 2, 2001	
Measures for Electronic Tendering	Order No. 20 of eight ministries, 2013	

Law/Regulation	Promulgation year	Latest amendment
Measures for Handling Complaints about Tendering Activities in Engineering Construction Projects	Order No. 11 of seven ministries, 2004	
Measures for Goods Tendering in Engineering Construction Projects	NDRC Order No. 27, 2005	
Measures for Surveying and Designing Tendering in Engineering Construction Projects	Order No. 2 of eight ministries, 2003	
Measures for Construction Tendering in Engineering Construction Projects	Order No. 30 of seven ministries, 2003	
Measures for the Administration of Bid Evaluation Experts and Comprehensive Bid Evaluation Experts Databases	SDPC Order No. 29, 2003	
Administrative Measures for Tendering Announcement and Release of Public Information	NDRC Order No. 10, 2017	
Interim Provisions on Standard Documents of Prequalification and Tendering in Engineering Construction Projects	NDRC Order No. 56, 2007	
Notice of National Development and Reform Commission, Ministry of Industry and Information Technology, Ministry of Finance, Ministry of Housing and Urban-Rural Development, Ministry of Transport, Ministry of Railways, Ministry of Water Resources, National Radio and Television Administration and Civil Aviation Administration of China on Printing and Distributing Concise Standard Construction Tendering Documents and Standard Designing Construction General Contract Tendering Documents	NDRC Notice Fa Gai Fa Gui No. 3018, 2011	
Notice on Printing and Distributing Five Standard Tendering Documents Including the Standard Equipment Procurement Tendering Document	NDRC Notice Fa Gai Fa Gui No. 1606, 2017	
Budget Law	**1994**	**2014 and 2018**
Regulations for the Implementation of the Budget Law	1995	2020
Civil Code	**2021**	

Source: Information provided by the authorities.

3.214. The Regulations for the Implementation of the Tendering Law were amended in 2017, 2018, and 2019. The 2017 Revision deleted the content regarding the professional qualification for tendering personnel; the 2018 Revision deleted the content regarding the qualification for the tendering agency; and the 2019 Revision removed the requirement for financial departments to supervise the budgetary performance of government procurement construction projects that are subject to tendering. According to the authorities, those Revisions have exerted no impact on trade. The Administrative Measures on Release of Government Procurement Information was amended in 2019 (MOF Order No. 101, 2019). The new Measures further strengthen the information release system and provide that a designated Internet media is the principal channel for publishing government procurement information. They specify that the Government Procurement website (www.ccgp.gov.cn) and its subordinate provincial-level websites should serve as the platform for the collection and publication of government procurement information. They also emphasize enhanced enforcement of relevant rules in this regard.

3.215. The authorities have also been promoting the use of PPPs in investments in infrastructure and public utilities. Franchising is the main form of PPP in China.[177] Article 15 of the Administrative Measures for Franchising Projects in Infrastructure and Public Utilities (NDRC Order No. 25, 2015) provides that franchisees should be selected through competition. The NDRC Notice on Strengthening the Administration of the Investment and Construction of PPP Projects in Accordance with Laws and Regulations (NDRC Notice Tou Zi Gui No. 1098, 2019) further specifies that public tendering should be the main method in selecting franchisees. Franchisees who are selected through tendering procedures and have the capacity to implement the projects on their own can carry out the projects by themselves without going through tendering procedures again. The Administrative

[177] Article 3 of the Administrative Measures for Franchising Projects in Infrastructure and Public Utilities (NDRC Order No. 25, 2015) defines franchising as agreements between the Government and legal persons or other organizations, either domestic or foreign, under which the latter invest, build, and operate infrastructure and public utilities to provide public goods and services within certain periods and geographical areas. The agreements define rights and obligations of the Government and the franchisees and risk distribution between the two. Franchisees are entitled to gain profits from such projects.

Measures on Government Procurement of Public-Private Partnership Projects (MOF Notice Cai Ku No. 215, 2019) apply to PPP projects. Foreign investors are allowed to participate in PPP projects and, according to the authorities, there are already numerous such cases in practice.

3.216. The administrative measures on promoting green procurement and SMEs' participation in government procurement were also amended in 2019 and 2020 (Section 3.3.6.4).

3.217. The authorities note that China does not introduce special policies for government procurement activities under the BRI, including economic corridor projects. China does not have special government procurement policies in its PFTZs either.

3.3.6.3 Procurement methods and e-procurement

3.218. During the review period, there were no changes to the procurement methods and procedures.[178] The Government Procurement Law, its Implementing Regulations, and relevant Administrative Measures provide for six procurement methods: (i) public tendering; (ii) selective tendering; (iii) price inquiry; (iv) competitive negotiations; (v) competitive consultations; and (vi) single-source procurement. According to data provided by the authorities, in 2019, procurement through public tendering accounted for 78.31% of total procurement, selective tendering for 0.99%, price inquiry for 1.41%, competitive negotiations for 3.55%, and single-source procurement for 6.19%. The value under single-source procurement decreased from CNY 552.7 billion in 2017 to CNY 204.6 billion in 2019 (Table 3.27).

Table 3.27 Government procurement by procurement method, 2017-19

(CNY billion)

Year	Procurement method						
	Total	Public tendering	Selective tendering	Price inquiry	Competitive negotiations	Competitive consultations	Single-source procurement
2017	3,211.4	2,170.1	24.9	73.9	133.0	180.8	552.7
2018	3,586.1	2,528.8	39.4	83.6	129.6	298.7	423.3
2019	3,306.7	2,589.6	32.6	46.7	117.5	204.7	204.6

Source: Information provided by the authorities.

3.219. With regard to e-procurement, China planned to fully implement e-tendering by end-2020. In 2017, six ministries jointly issued the "Internet + Tendering/Procurement" Action Plan (2017-19) (NDRC Notice No. 357, 2017). In 2019, the MOF issued the new Administrative Measures on Release of Government Procurement Information (MOF Order No. 101, 2019). The old Measures (MOF Order No. 19, 2004) were repealed at the same time. All government procurement notices and relevant information should be published in the standard format announced by the MOF in 2020 (Cai Ban Ku No. 50, 2020). The NDRC Administrative Measures for Tendering Announcement and Release of Public Information (NDRC Order No. 10, 2017) also require that tendering notices and other relevant information of a project subject to mandatory tendering be published on the China Tendering Public Service Platform or the provincial e-tendering platforms. The State Council further requires that all such information, upon publication, should also be transferred to and published in real time on the National Public Resources Trading Platform.[179] According to the authorities, most regions and most industrial areas have fully implemented e-tendering.

3.220. To enhance predictability of government procurement and facilitate suppliers' awareness of market opportunities, the MOF issued a Notice on Disclosure of Future Government Procurement Plans (MOF Notice Cai Ku No. 10, 2020), which requires that all procuring entities should disclose their procurement plans in advance where possible. The MOF notes that, during the review period, it organized a third-party evaluation of the work of local governments regarding the disclosure of

[178] For more information on the procurement methods and procedures, see WTO document WT/TPR/S/375/Rev.1, 14 September 2018, paras. 3.197-3.207.

[179] The National Public Resources Trading Platform is the general hub for sharing public resources trading data in China. Information published on this platform contains, but is not limited to, government procurement. It also collects and publishes information on transactions of land use rights, mining rights, and state-owned property rights.

information about government procurement. The evaluation shows that the transparency of government procurement has been significantly improved across the country.

3.3.6.4 Other policy considerations in government procurement

3.221. China maintains buy-national policies in government procurement. Article 10 of the Government Procurement Law provides that unless the subject matter cannot be obtained within the territory of China or cannot be obtained with reasonable commercial terms, or the procurement is for use outside the territory of China, the procuring entities shall procure domestic goods, services, and construction works. The Measures for the Administration of Government Procurement of Imported Products (Cai Ku No. 119, 2007) further require that in each specific case, the conditions that allow procurement of imported products need to be verified by the financial authorities.

3.222. It is also noted that the buy-national requirement does not apply to procurements by SOEs, as they are not considered as government procurement in China and are not bound by the Government Procurement Law. Therefore, the authorities state that there is no differential treatment of foreign goods, services, and suppliers in SOEs' procurements, including those in the areas of infrastructure and public utilities. In addition, Article 16 of the new Foreign Investment Law (FIL) (promulgated in March 2019) provides that "the State shall guarantee that foreign-invested enterprises can participate in government procurement activities through fair competition; products produced and services provided by foreign-invested enterprises within the territory of China shall be treated equally in government procurement".

3.223. Furthermore, Article 9 of the Government Procurement Law provides that government procurement shall be carried out to facilitate the realization of the economic and social development policy goals of the State, including environmental protection, assistance to underdeveloped or ethnic minority regions, and promoting the development of SMEs. According to the authorities, SMEs became more active in participating in government procurement activities in the past 10 years. More than 70% of China's government procurement in value terms is currently performed by SMEs.[180] To address issues arising in the implementation of previous Measures[181], China issued the new Measures on Promoting the Development of Small and Medium Enterprises through Government Procurement (MOF Circular Cai Ku No. 46, 2020) on 18 December 2020.[182] The new Measures came into force on 1 January 2021, and the previous Measures ceased to apply at the same time. Compared with the previous measures, the new Measures provide more details on the SME contract set-aside policy. They require that, in principle, small-value contracts, i.e. goods and services contracts below CNY 2 million and construction work contracts below CNY 4 million, be set aside for SMEs. For contracts above the aforementioned thresholds, no less than 30% of them in value terms should be performed by SMEs. In contracts set aside for SMEs, no less than 60% should be performed by small and micro enterprises. The goal shall be achieved through contract set-asides, contract splitting, consortium bidding, or subcontracting. As regards the grant of price preferences to SMEs, the new Measures maintain the preference margins for procurements where the tender evaluation is based on the lowest price criterion.[183] Additionally, they set out rules on granting preferences to SMEs in the procurement of construction works where the tender evaluation is based on the criterion of the

[180] Ministry of Finance. Viewed at: http://gks.mof.gov.cn/guizhangzhidu/202012/t20201228_3637423.htm.

[181] Interim Measures on Promoting the Development of Small and Medium Enterprises through Government Procurement (MOF Circular Cai Ku No. 181, 2011). For more information about policies in favour of SMEs under the previous Interim Measures, see WTO document WT/TPR/S/375/Rev.1, 14 September 2018, para. 3.212.

[182] Ministry of Finance. Viewed at: http://gks.mof.gov.cn/guizhangzhidu/202012/t20201228_3637419.htm.

[183] In tender evaluation for procurement of goods and services, the tender submitted by a small or micro enterprise will compete with other tenders based on a price 6%-10% lower than the original price offered by it. When the contract is delivered, it will be paid the full original price. For procurement of construction works, the price preference margin is 3%-5%. For joint tendering where small or micro enterprises' share accounts for more than 30% of the contract value and for a large enterprise that intends to subcontract more than 30% of the contract value to small or micro enterprises, the tender will benefit from a price preference margin of 2%-3% for procurement of goods and services, and 1%-2% for procurement of construction works.

most advantageous tender.[184] The new Measures also contain provisions to support SMEs through contract payment and credit guarantees.

3.224. With regard to environmental protection, China maintains policies to provide more favourable treatment to energy-saving products and environmentally friendly products in government procurement. Such policies were first introduced in 2004 and 2006. During the review period, China adjusted implementation measures in this regard. Specifically, in 2019, the MOF, the NDRC, the MEE, and the SAMR jointly issued a Notice on Adjusting and Optimizing Execution Mechanisms for Government Procurement of Energy-Saving Products and Environmentally Labelled Products (Cai Ku No. 9, 2019).[185] Under the old measures, relevant authorities published not only the catalogues but also the lists of brands and models that had been granted conformity certificates for such purposes.[186] Under the new measures, the authorities publish only the generic catalogues and energy conservation and environment protection standards[187], and not the lists of brands and models. Product brands and models that have been granted certificates by recognized certification agencies are eligible for favourable treatment in government procurement. According to the authorities, such adjustments made it unnecessary for suppliers to apply for being included on the list and provide more equal opportunities for suppliers. The new Measures also enhance the obligation of procuring entities to implement such policies.

3.225. In addition, in 2020, relevant authorities published green packaging standards and green express mail packaging standards relating to government procurement. Procuring entities are required to specify in their procurement documentation that the packaging should be recyclable, organic, and renewable.[188]

3.226. The authorities note that, during the review period, no specific government procurement policies were introduced to promote innovation.

3.3.6.5 COVID-19-related government procurement measures

3.227. To address the COVID-19 pandemic, China established "green channels" for government procurement in relation to the prevention and control of the pandemic. On 26 January 2020, the MOF circulated the Notice on Facilitating Procurement for Pandemic Prevention and Control (Cai Ban Ku No. 23, 2020) which requires that state organs, public institutions, and social groups at all levels should open "green channels" for the procurement of goods, services, and construction works for pandemic prevention and control.[189] The Notice also requires that sound internal control mechanisms be established and maintained for emergency procurement. On 6 February 2020, the MOF circulated the Notice on Government Procurement-related Matters during the Period of Pandemic Prevention and Control (Cai Ban Ku No. 29, 2020).[190] This Notice focuses on the protection of the health and

[184] For procurement of construction works where the tender evaluation is based on the criterion of the most advantageous tender (not the lowest price), the tender submitted by small and micro enterprises will benefit from a 3%-5% mark-up in its price points. For joint tendering where small or micro enterprises' share accounts for more than 30% of the contract value and for a large enterprise that intends to subcontract more than 30% of the contract value to small or micro enterprises, such a tender will benefit from a 1%-2% mark-up in its price points.

[185] Ministry of Finance. Viewed at: http://gks.mof.gov.cn/guizhangzhidu/201902/t20190212_3146226.htm.

[186] For more information about the previous measures, see WTO document WT/TPR/S/375/Rev.1, 14 September 2018, para. 3.213.

[187] The product lists are published through the joint Notice of the Ministry of Finance and the Ministry of Ecology and Environment on Environmentally Labelled Product Categories and Items for Government Procurement (Cai Ku No. 18, 2019) and the joint Notice of the Ministry of Finance and the National Development and Reform Commission on Energy-saving Product Categories and Items for Government Procurement (Cai Ku No. 19, 2019).

[188] These measures are contained in the joint Notice of the Ministry of Finance General Office, the Ministry of Ecology and Environment General Office, and the State Post Bureau General Office on Commodity Packaging Standards for Government Procurement (Trial Edition) and the Express Mail Packaging Standards for Government Procurement (Trial Edition) (Cai Ban Ku No. 123, 2020).

[189] Ministry of Finance. Viewed at: http://gks.mof.gov.cn/guizhangzhidu/202001/t20200126_3464030.htm.

[190] Ministry of Finance. Viewed at: http://gks.mof.gov.cn/guizhangzhidu/202002/t20200207_3466846.htm.

safety of procurement professionals and suppliers during the pandemic and encourages the use of electronic means in government procurement.

3.3.6.6 Supplier complaint mechanism

3.228. The supplier complaint mechanism remained unchanged during the review period.[191] The Government Procurement Law and the Measures for Handling Challenges and Complaints against Government Procurement (MOF Order No. 94, 2017) require that the finance authorities at different levels of government review suppliers' complaints regarding government procurement activities at their respective levels.[192] The results of complaint reviews are published in designated media.

3.3.6.7 Accession to the GPA and other international cooperation

3.229. China became an Observer in the WTO Committee on Government Procurement in 2002. It initiated its GPA accession negotiation in 2007. During the review period, significant progress was made on the accession. China submitted its 6th revised market access offer on 20 October 2019.[193] The new offer, for the first time, included non-sensitive military procurement. It also added seven provinces and municipalities, 16 SOEs, and 36 local universities. No minority autonomous regions at the provincial level were included in the new offer, and some SOEs in the infrastructure and public utility sectors are missing. Some services sectors are not included in the offer. On 29 May 2020, China circulated its updated Replies to the Checklist of Issues, which contain comprehensive information on China's government procurement regime.[194] Consultations continue between China and GPA Parties to address the remaining issues in the accession process.

3.230. China has not included any market access commitments in the area of government procurement in the context of any of the FTAs that it has negotiated with trading partners. According to the authorities, it remains China's priority to conclude its GPA accession before liberalizing its government procurement market through bilateral/regional tracks.

3.3.7 Intellectual property rights

3.3.7.1 Overview

3.231. During the review period, China's intellectual property (IP) regime and institutional framework continued to evolve, adjusting to technological developments and new business practices. China also made efforts to mainstream IP into its economy and adjust its programmes to enhance their effectiveness and compliance with international commitments.

3.232. In 2019, China was recognized as one of the top four economies in innovation capability.[195] In 2020, China was the 8th most performing economy in economic transformation priorities[196], and was ranked as the 14th of the 131 economies featured in the Global Innovation Index.[197] These high rankings on IP-intensive indicators underpin the positive evolution of the Chinese IP regime.

3.233. China's participation in trade in IP has increased, as shown by the growth in total receipts of fees for the use of IP from USD 14 billion in 2010 to USD 41 billion in 2019. The trade deficit in this rubric has incrementally narrowed down since 2010, reflecting the export activity related to royalties and licensing fees (Chart 3.6).

[191] For more information about the supplier complaint mechanism, see WTO document WT/TPR/S/375/Rev.1, 14 September 2018, paras. 3.215-3.216.

[192] For more information in this regard, see WTO document WT/TPR/S/375/Rev.1, 14 September 2018, paras. 3.215-3.216.

[193] WTO document GPA/ACC/CHN/51, 21 October 2019.

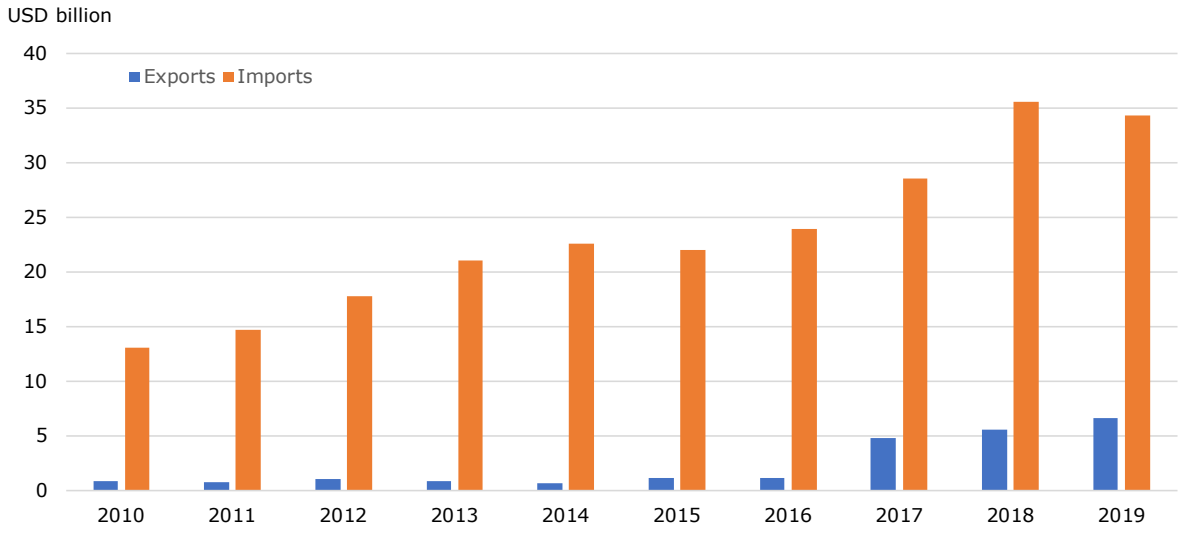
[194] WTO document GPA/ACC/CHN/8/Rev.1, 2 June 2020.

[195] WEF (2019), *The Global Competitiveness Report 2019*, p. 7. Viewed at: http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf.

[196] WEF (2020), *The Global Competitiveness Report, Special Edition 2020*, p. 45. Viewed at: http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2020.pdf.

[197] WIPO, *2020 Global Innovation Index*. Viewed at: https://www.wipo.int/edocs/pubdocs/en/wipo_pub_gii_2020/cn.pdf.

Chart 3.6 Exports and imports of fees for the use of IP, 2010-19



Source: WTO Data Portal. Viewed at: https://data.wto.org/.

3.3.7.2 Institutional reforms and IP-related policies

3.234. During 2018 and 2019, China undertook wide-ranging domestic reforms that included its IP regime, the infrastructure of IP courts, and amendments to the Trademark Law, the Patent Law, and the Anti-Unfair Competition Law, which govern trade secrets (Section 3.3.7.5.8). As part of these reforms, in 2018, the State Intellectual Property Office became the China National Intellectual Property Administration (CNIPA). The authorities state that the CNIPA is under the authority of the SAMR and is responsible for: (i) promoting IP protection; (ii) improving the IP protection system; (iii) registering and making administrative decisions on trademarks, patents, and geographical indications (GIs); and (iv) providing guidance on enforcement of trademarks and patents. The law enforcement staff of market supervision is responsible for the enforcement of trademarks and patents.

3.235. In 2019, the CNIPA, together with other relevant authorities responsible for the Innovation Policy, issued the Notice on Further Strengthening Intellectual Property Pledge Financing, which implements support measures to improve the service system of IP pledge financing, strengthen service innovation, enhance risk management, and improve supporting measures. It also establishes an online channel to facilitate the registration of patent pledges. In 2020, there were 12,039 patent and trademark pledge financing cases, totalling CNY 218 billion in loans, an increase of 43.8% for patents and 43.9% for trademarks from 2019.[198]

3.236. Building on previous work, the CNIPA published the Plan for Further Implementation of the National Intellectual Property Strategy to Accelerate the Construction of an Intellectual Property Power Country in May 2020. The Plan listed 100 measures related to, *inter alia*, the creation, use, protection, management, service, and international cooperation of IP, which aim to reduce subsidies or rewards for utility model, design, and trademark applications; cut examination periods for trademark and patent applications; reduce low-quality patent applications and malicious filing of trademarks; and ensure that decisions to grant awards or to promote or appoint staff in universities are not solely based on patent filings and grant rates.

3.237. Regarding IP-related issues, the 14th Five-Year Plan for Economic and Social Development aims to promote modernization through innovation and technological advancements and promote high-end, intelligent, and green production. Investment in R&D would have an important role in the areas of artificial intelligence, quantum information, integrated circuits, life and health sciences, neuroscience, biological breeding, and aerospace technology.

[198] *Summary of 2020: Chinese IP System to a New Height*, 28 January 2021. Viewed at: http://english.ipraction.gov.cn/article/ns/202101/334627.html.

3.238. The China Manufacturing 2025 strategy highlights, *inter alia*, the importance of IP protection and enforcement to promote IP-intensive sectors such as robotics, information technology, and clean energy.

3.239. China amended its Anti-Unfair Competition Law in April 2019 and its Trademark Law in November 2020. The amendments to the Patent Law were reviewed twice by the NPC Standing Committee in October 2020 and are expected to be implemented from 1 June 2021. The Copyright Law was revised in November 2020. Other IP-related laws have remained unchanged since the previous Review (Table A3.3).[199]

3.3.7.3 International context

3.240. China is a member state of the World Intellectual Property Organization (WIPO), and participates in a number of international conventions and treaties related to IPRs (Table A3.4). During the review period, China acceded to the Beijing Treaty on Audiovisual Performances, which entered into force on 28 April 2020.[200]

3.241. The China-United States Phase 1 Economic and Trade Agreement contains specific provisions related to: (i) protecting trade secrets; (ii) strengthening pharmaceuticals-related IP; (iii) adjusting and extending patent terms; (iv) preventing piracy and counterfeit on e-commerce platforms; (v) increasing transparency in the protection of GIs; (vi) preventing manufacture and export of counterfeit goods; (vii) ensuring adequate and effective protection and enforcement of trademark rights, particularly against bad-faith trademark registrations; and (viii) increasing bilateral cooperation on IP protection.[201]

3.242. China is a party to several bilateral trade agreements and RTAs that include IP chapters. Notably, in November 2020, China and other 14 Asia Pacific economies finalized the negotiations of the RCEP Agreement. Its IP chapter covers a wide range of topics such as copyrights, trademarks, GIs, patents, designs, genetic resources, traditional knowledge and folklore, protection against unfair competition, enforcement, cooperation, transparency, and technical assistance.

3.243. In February 2019, the CNIPA and the Saudi Authority for Intellectual Property (SAIP) signed an MOU, which covers exchanges and cooperation in the development of the IP regime, capacity-building, data exchange, trademarks, and GIs.

3.244. A two-year pilot collaboration project between the CNIPA and the European Patent Office (EPO) started in December 2020. It allows Chinese nationals and residents to select the EPO as the International Searching Authority for English-language international patent applications filed at the CNIPA or WIPO.

3.3.7.4 Copyright and related rights

3.245. The legal framework for the protection of copyrights and related rights is provided in the Copyright Law and relevant regulations, e.g. the Regulations for the Implementation of Copyright Law, the Regulations for the Protection of Computer Software, the Regulations on Collective Copyright Management, the Regulations on the Protection of the Right of Dissemination via Information Network, and the Interim Measures for the Payment of Remuneration for the Broadcast of Sound Recordings by Radio and Television Stations. Copyright owners or owners of related rights may authorize collective non-profit copyright management organizations to exercise their rights.

3.246. The National Copyright Administration administers copyright registration nationally. In the case of computer software, the Copyright Protection Centre of China registers copyrighted works.

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[199] WTO documents IP/N/1/CHN/P/2, 21 December 2010; IP/N/1/CHN/P/3, 26 August 2011; IP/N/1/CHN/C/1 (2001 Version), 8 July 2002; IP/N/1/CHN/L/1/Rev.1, 13 October 2003; IP/N/1/CHN/9 (2013 Amendment), 19 October 2017; and IP/N/1/CHN/T/5 (2019 Amendment), 30 January 2020; and information provided by the authorities.

[200] WIPO IP Portal, *WIPO-Administered Treaties: Contracting Parties: China*. Viewed at: https://wipolex.wipo.int/en/treaties/ShowResults?country_id=38C.

[201] Government of China. Viewed at: http://www.gov.cn/guowuyuan/2020-01/16/content_5469650.htm.

3.247. The procedure of registration under the Copyright Law has remained unchanged since the previous Review. Registration is voluntary and is not a requirement for copyright protection.[202] The Copyright Law provides for copyright licensing and transfer of rights, unchanged since the previous Review. Copyright infringement can be sanctioned with fines.

3.248. The term of copyright protection for natural persons, as well as for certain works[203], is life plus 50 years.[204] Software copyright exists from the date on which its development is completed. The term of protection for typographical designs is 10 years. The authorities state that the term of protection for photographic works is the life of the author plus 50 years, and audio-visual works are protected for 50 years.

3.249. As at January 2021, there were five copyright collective management organizations in China: Music Copyright Society of China; China Audio-Video Copyright Association; China Written Works Copyright Society; the Images Copyright Society of China; and China Film Copyright Association (Table 3.28).

Table 3.28 Copyright collective management organizations – fees and membership

Organization	Fees collected (CNY million)	No. of members
Music Copyright Society of China	404	10,031
China Audio-Video Copyright Association	270	247 (including unit members and individual members)
China Written Works Copyright Society	19.31	10,046
Images Copyright Society of China	5.59	20,500
China Film Copyright Association	0.0274	88

Source: Information provided by the authorities.

3.3.7.5 Industrial property

3.3.7.5.1 Trademarks

3.250. The legal framework for the protection and enforcement of trademarks is provided by the Trademark Law. Amendments to the Trademark Law entered into force in November 2019. The objectives of these amendments are to curb bad-faith applications, strengthen protection, and foster a favourable business environment. In order to implement the amendments, the Rules on Regulating Applications for Registration of Trademarks were developed and came into force in December 2019. The authorities indicate that the amendments and/or the regulations do not contain new provisions regarding parallel imports.

3.251. Since the reform of 2018, the CNIPA has been responsible for the examination of trademark applications, registration and administration.

3.252. Registration is a prerequisite for protection, and ownership is determined on a first-to-file basis. According to Article 18 of the Trademark Law, foreign businesses are required to appoint a Chinese trademark agent. The period of protection is 10 years. According to the authorities, the request to renew the registration is to be filed 12 months before the date of expiration.

3.253. Foreign brand owners have the possibility to file trademark applications either as national applications or international registrations under the Madrid Protocol.[205] China adopted the Nice

[202] The copyright on the works of Chinese citizens, legal entities, or other organizations are automatically protected; this protection also applies to the copyright of foreigners whose works are first published in China. Copyright protection for works published abroad has remained unchanged since the previous Review.

[203] These include works of a legal entity or other organization, works created in the course of employment and the copyright of which is held by a legal entity or other organization, and cinematographic and photographic works. Audio and video productions, broadcasting, and public performances are also granted protection for 50 years from the first day of production, broadcasting, or performance.

[204] In the case of more than one right holder, protection is granted for 50 years after the death of the last surviving right holder.

[205] WIPO, *Madrid – The International Trademark System*. Viewed at: https://www.wipo.int/madrid/en/.

Classification of Goods and Services for the Purposes of the Registration of Marks.[206] In addition, the CNIPA also developed a sub-class system, whereby goods and services under each Nice class are classified into sub-classes, and some sub-classes are further categorized into different groups. The sub-classes are listed in the Chinese Classification Manual.

3.254. The China-United States Phase 1 Economic and Trade Agreement contains provisions regarding bad-faith trademark registrations; with a view to strengthening trademark protection, both Parties shall ensure adequate and effective protection and enforcement of trademark rights, particularly against bad-faith trademark registrations.

3.255. During the review period, trademark applications and registration continued to increase. In 2019, residents accounted for 97% of trademark applications and 96% of registrations (Table 3.29).

Table 3.29 Trademark applications and registrations, 2017-19

Trademarks		2017	2018	2019
Applications	Resident	5,538,980	7,127,032	7,582,356
	Non-resident	209,195	243,677	255,085
	Madrid System submitted by Chinese applicants	4,810	6,900	6,491
Registrations	Resident	2,656,039	4,796,851	6,177,791
	Non-resident	136,033	210,544	228,049

Source: Information provided by the authorities.

3.3.7.5.2 Geographical indications

3.256. GIs can be protected as certification marks or collective marks under the Trademark Law or by a *sui generis* system contained in the Provisions on the Protection of Geographical Indication Products, administered by the CNIPA. In 2020, the CNIPA established the Technical Sub-committee on Geographical Indications of the National Technical Committee on Knowledge and Intellectual Property Management Standardization.

3.257. According to the authorities, GIs that have not been officially registered are still protected by the relevant laws, e.g. the Trademark Law, the Anti-Unfair Competition Law, the Food Safety Law, and the Law on Quality and Safety of Agricultural Products.

3.258. The China-United States Phase 1 Economic and Trade Agreement contains GI-related provisions, particularly: (i) using relevant factors when making determinations for genericness, including usage of a term in dictionaries, newspapers, and websites; how the good referred to by a term is marketed and used in trade; and whether the term is used in relevant standards; (ii) not providing GI protection to individual components of multi-component terms if the individual component is generic; and (iii) publicly identifying which individual components are not protected when granting GI protection to multi-component terms. The CNIPA published Guidelines on Determining Common Names in Geographical Indication Protection (Draft) in 2020, clarifying the determining factors, cancellation, and other aspects of common names in terms of the common name determination in GI protection.[207]

3.259. In September 2020, China and the European Union signed a bilateral agreement to protect 100 European GIs in China and 100 Chinese GIs in the European Union against infringement. During the four years after its entry into force, the agreement will expand in scope to cover an additional 175 GIs from both sides. These GIs will have to follow the same approval procedure as the 100 names originally covered by the agreement (i.e. assessment and publication for comment).[208] The authorities indicate that the agreement entered into force on 1 March 2021.

3.260. In 2018, 12 new applications for GI protection were accepted, 67 GI protection products were granted, 223 companies were approved to use special signs of GI products, and 961 GIs were registered in the form of collective marks and certification marks. The authorities indicate that in

[206] WIPO, *Nice Classification*. Viewed at: https://www.wipo.int/classifications/nice/en/.
[207] Government of China. Viewed at: http://www.gov.cn/guowuyuan/2020-01/16/content_5469650.htm.
[208] MOFCOM. Viewed at: http://tfs.mofcom.gov.cn/article/zscq/202009/20200903002354.shtml.

2019, five new applications for GI protection were accepted, 301 companies were approved to use special signs of GI products, and 462 GIs were registered in the form of collective marks and certification marks. In 2020, 10 applications for GI protection were filed and 6 were granted; 1,052 companies were authorized to use GI signs, and 765 GI trademarks were registered.[209]

3.3.7.5.3 Patents

3.261. The Patent Law and its Rules for Implementation provide the legal framework for the protection of inventions, utility models, and industrial designs.[210] Parallel imports of patented goods are allowed, as provided by Article 69 of the Patent Law. Articles 48-58 relate to compulsory licence provisions. Compulsory licences of patents may be granted in the public interest, or in the event of a national emergency or extraordinary circumstances. So far, no compulsory licences have been granted in China.

3.262. The CNIPA is the authority responsible for receiving and processing patent applications and granting patents. The person concerned is free to request a People's Court or administrative authority to settle disputes with respect to patents. The period of protection is 20 years.

3.263. During the review period, several regulations were amended. The amendments to the Regulations on Patent Agencies came into force in March 2019. Their objective is to improve the provisions regarding qualifications for practitioners, the code of conduct, and services supervision. According to the authorities, the revised Administrative Measures for Patent Agencies were implemented in May 2019; the revised Measures for the Patent Agent Qualification Examination were effective as at June 2019. In September 2019, the CNIPA issued the Administrative Regulations of Collective Patent Examination, which aim to improve the examination efficiency and quality of important patent applications. "Collective Patent Examination" means the collective processing of a group of patent applications focusing on the same key technology by the same applicant(s).[211] The CNIPA also amended the Patent Examination Guidelines in order to clarify the examination standard in patent applications involving artificial intelligence and other new industries. The amendment entered into force in February 2020.

3.264. Amendments to the Patent Law were prepared with the objectives of improving protection, boosting the application and use of patents, and enhancing the patent system. The NPC Standing Committee approved the amendments in October 2020; they are expected to enter into force on 1 June 2021.

3.265. In November 2020, the CNIPA issued draft amendments to the Implementing Regulations of the Patent Law for public consultation. The deadline for submitting opinions was 11 January 2021. The CNIPA will further complete the draft according to the opinions, and then submit the final draft to the legislature for review.

3.266. UNCTAD reported in 2019 that, in the 156 high-tech development zones established in China by end-2017, the ratio of R&D expenditures to total production value was 6.5%, three times the average in the national economy. Patents granted to enterprises within such high-tech development zones accounted for 46% of all business patents granted nationwide.[212]

3.267. The National Bureau of Statistics reported that the added value of China's patent-intensive industries reached approximately USD 1.53 trillion, contributing 11.6% to the GDP, in 2018. The equipment manufacturing sector contributed to 30.7% to the added value of the patent-intensive sectors. It was followed by information technology for manufacturing and services, manufacture of new materials, healthcare, high-technology services, and environmental protection industries. Data

[209] CNIPA, *2020 Statistics*, 25 January 2021. Viewed at: http://english.ipraction.gov.cn/article/ns/202101/334279.html.

[210] Other patent-related regulations notified to the TRIPS Council are listed in WTO documents IP/N/1/CHN/3, 15 December 2010; IP/N/1/CHN/P/2, 21 December 2010; IP/N/1/CHN/4, 24 August 2011; and IP/N/1/CHN/P/3, 26 August 2011.

[211] CCIPT Patent and Trademark Office, *China: CNIPA Issued Regulations on Collective Patent Examination*, 18 November 2019. Viewed at: https://www.mondaq.com/china/patent/864738/cnipa-issued-regulations-on-collective-patent-examination.

[212] WTO (2020), *World Trade Report 2020*, p. 115. Viewed at: https://www.wto.org/english/res_e/booksp_e/wtr20_e/wtr20_e.pdf.

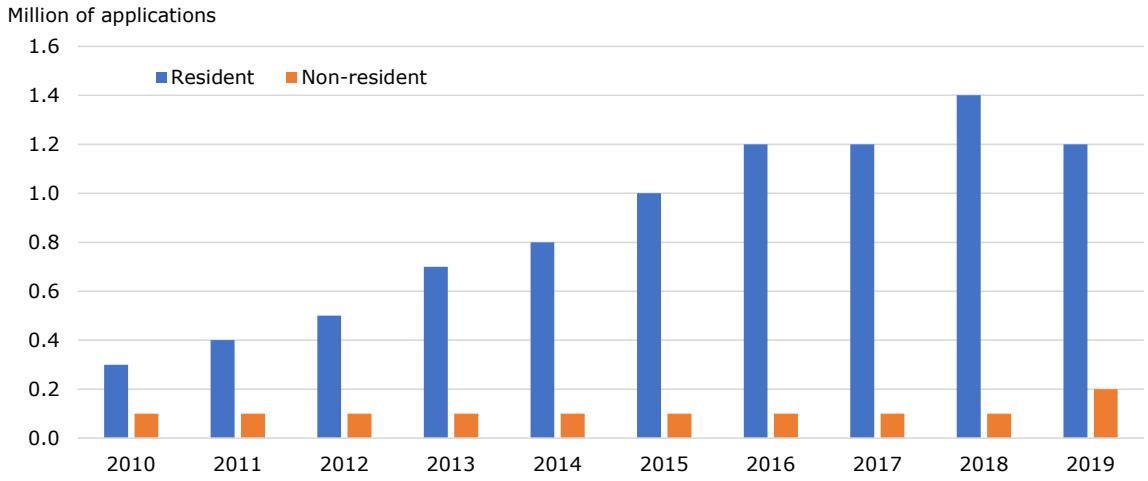
provided by the authorities indicate that in 2019 the added value of China's patent-intensive industries reached CNY 11.4631 trillion, up by 7.0% compared with the previous year (including price factors), contributing 11.6% to GDP, equal to the previous year.

3.268. In 2019, the CNIPA was ranked as the top IP office, reaching 43.4% of world's total patent applications[213] with 1.4 million filings, composed of 1.2 million filed by residents and 0.2 million by non-residents (Chart 3.7).[214]

3.269. In 2019, there was a total of 452,804 patent grants: 360,969 patents were granted to residents and 91,885 to non-residents (Chart 3.8).[215]

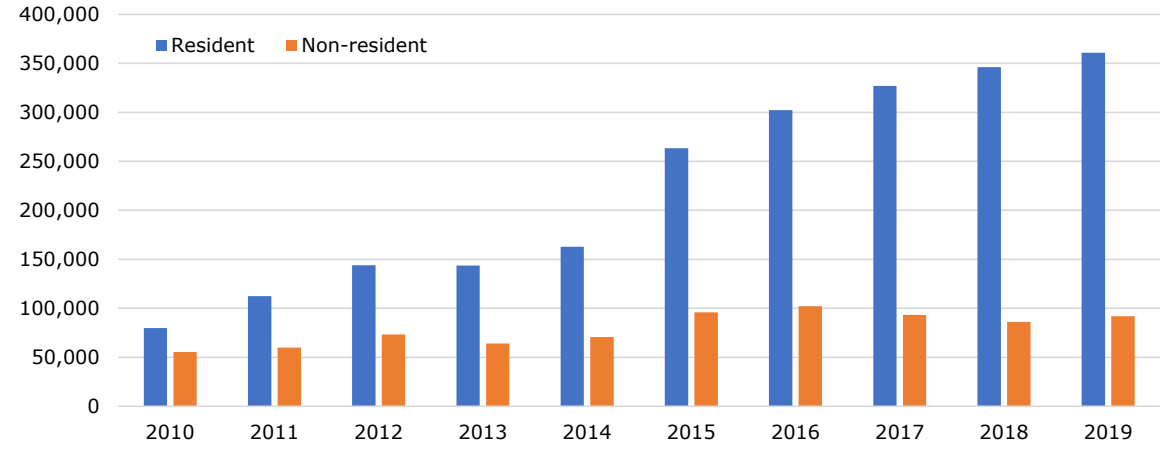
3.270. According to information from WIPO, in 2019, 10% of patents were granted in the field of computer technology, followed by 8% in measurement; 8% in electrical machinery, apparatus, and energy; and 7% in digital communication technologies. Chart 3.9 shows the top 15 fields of technology.

Chart 3.7 Patent applications, 2010-19



Source: WIPO IP Portal, WIPO IP Statistics Data Center. Viewed at: https://www3.wipo.int/ipstats/.

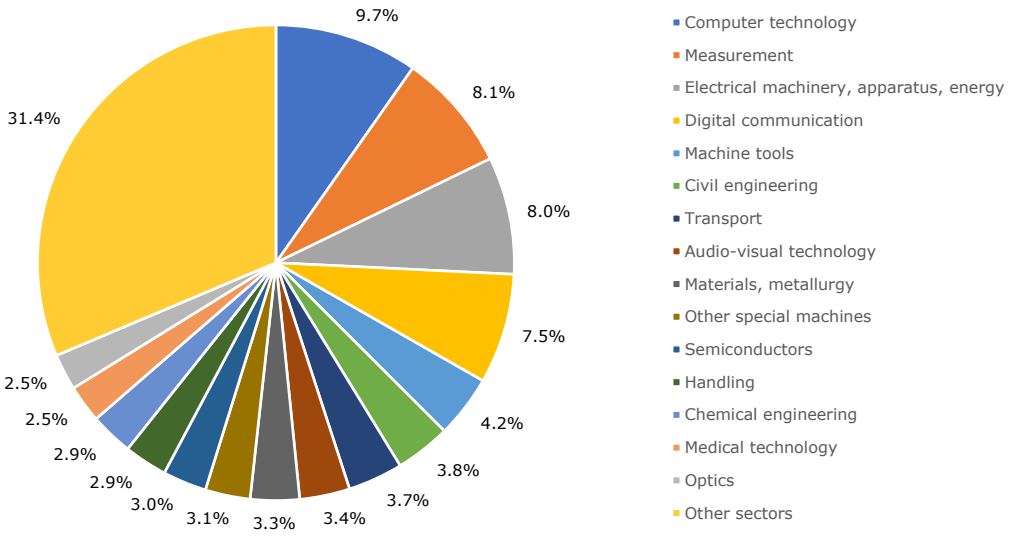
Chart 3.8 Patent grants, 2010-19



Source: WIPO IP Portal, WIPO IP Statistics Data Center. Viewed at: https://www3.wipo.int/ipstats/.

[213] WIPO (2020), *WIPO IP Facts and Figures 2020*. Viewed at: https://www.wipo.int/edocs/pubdocs/en/wipo_pub_943_2020.pdf.
[214] WIPO IP Portal, WIPO IP Statistics Data Center. Viewed at: https://www3.wipo.int/ipstats/.
[215] WIPO IP Portal, WIPO IP Statistics Data Center. Viewed at: https://www3.wipo.int/ipstats/.

Chart 3.9 Patent grants by top fields of technology, 2019



Source: WIPO IP Portal, WIPO IP Statistics Data Center. Viewed at: https://www3.wipo.int/ipstats/.

3.271. The China-United States Phase 1 Economic and Trade Agreement contains provisions regarding patent term extensions to compensate for unreasonable patent office and marketing approval delays that cut into the effective patent term, and to permit the use of supplemental data to meet relevant patentability criteria for pharmaceutical patent applications. It also establishes a mechanism for the early resolution of potential pharmaceutical patent disputes, including a cause of action to allow a patent holder to seek expeditious remedies before the marketing of an allegedly infringing product.[216] Accordingly, China has formulated measures for the implementation of the early settlement mechanism for drug patent disputes in accordance with the provisions of the Agreement and the relevant provisions of the Patent Law. The measures were published for comment on 11 September 2020, and revised on the basis of domestic and foreign opinions. Articles 42 and 76 of the fourth revision to the Patent Law touch upon "Effective Patent Term Extension" and "Effective Mechanism for Early Resolution of Patent Disputes", specified in the China-United States Phase 1 Economic and Trade Agreement. The 22nd session of the NPC Standing Committee adopted a decision on revising the Patent Law, and the revised Patent Law is expected to come into force on 1 June 2021. In addition, on 14 December 2020, the CNIPA published Announcement No. 391 on amending the Patent Examination Guidelines, which was implemented on 15 January 2021; according to the authorities, it further clarified the examination standard for submitting experiment data after the application deadline.

3.272. In response to the challenges posed by the COVID-19 pandemic, the China Patent Information Center (CNPAT) developed in collaboration with the Patent Examination Cooperation (Beijing) Center of the Patent Office and the CNIPA to jointly develop an information-sharing public platform for patents related to the prevention of COVID-19. The platform provides precise patent information on almost 10,000 patents.[217]

3.3.7.5.4 Utility models

3.273. The applications and registrations of utility models continued to grow during the review period. Resident applicants represented 99% of applications and registrations (Table 3.30).[218]

[216] Government of China. Viewed at: http://www.gov.cn/guowuyuan/2020-01/16/content_5469650.htm.
[217] CNPAT, Information Sharing Platform for Patents on Pandemic Prevention against COVID-19. Viewed at: https://ncp.patentstar.cn/en.
[218] WIPO IP Portal, WIPO IP Data Center. Viewed at: https://www3.wipo.int/ipstats/.

Table 3.30 Utility models – Applications and registrations, 2017-19

(million)

Utility models		2017	2018	2019
Applications	Resident	1.68	2.06	2.26
	Non-resident	0.01	0.01	0.01
Registrations	Resident	0.97	1.47	1.57
	Non-resident	0.01	0.01	0.01

Source: WIPO IP Portal, WIPO IP Statistics Data Center. Viewed at: https://www3.wipo.int/ipstats.

3.3.7.5.5 Industrial designs

3.274. The applications and registrations of industrial designs continued to grow during the review period. Resident applicants represented 97% of total applications and 96% of registrations (Table 3.31).

Table 3.31 Industrial designs – Applications and registrations, 2017-19

Industrial designs		2017	2018	2019
Applications	Resident	610,817.00	689,097.00	691,771.00
	Non-resident	17,841.00	19,702.00	19,846.00
Registrations	Resident	426,442	517,693	539,282
	Non-resident	16,554	18,558	17,247

Source: WIPO IP Portal, WIPO IP Statistics Data Center. Viewed at: https://www3.wipo.int/ipstats.

3.3.7.5.6 Layout-designs of integrated circuits

3.275. Layout-designs of integrated circuits are protected under the Regulations on the Protection of Layout-Designs of Integrated Circuits and under the Rules for Implementing the Regulations on the Protection of Layout-Designs of Integrated Circuits.

3.276. The CNIPA is responsible for the registration of layout-designs of integrated circuits. The authorities state that a layout-design shall no longer be protected 15 years after the date of the completion of its creation, regardless of its registration or commercial exploitation.

3.277. Data provided by the authorities indicate that in 2018, the CNIPA received 4,431 registration applications of layout-designs of integrated circuits, a year-on-year increase of 37.3%, and issued certificates for 3,815 layout-designs of integrated circuits, a year-on-year increase of 42.9%; in 2019, it received 8,319 registration applications of layout-designs of integrated circuits, a year-on-year increase of 87.7%, and issued certificates for 6,614 layout-designs of integrated circuits, a year-on-year increase of 73.4%. And in 2020, 14,375 applications were submitted, a 72.8% increase from the previous year, and 11,727 registrations were granted, a yearly increase of 77.3%.[219]

3.3.7.5.7 New plant varieties

3.278. The legal framework for the protection of new plant varieties is provided for by the Regulations on the Protection of New Varieties of Plants (1997) and a body of implementing rules (Table A3.5). China acceded to the 1978 Act of the International Convention for the Protection of New Varieties of Plants in 1999.

3.279. The period of protection is 20 years from the date of authorization in the case of vines, forest trees, fruit trees, and ornamental trees, and 15 years for other plants. The Implementation Rules (Agriculture Part) and the Implementation Rules (Forestry Part) stipulate rules for protection of new plant varieties in agriculture and forestry, respectively, and Rules for the Review Board on New Plant Varieties regulate the review procedures for the authorization of new plant varieties.

3.280. The protection of new plant varieties in China is carried out by MARA and the National Forestry and Grassland Administration (NFGA). The Office of Plant Variety Protection of MARA is responsible for reviewing new varieties of agricultural plants and other related matters, including

[219] CNIPA, 2020 *Statistics*, 25 January 2021. Viewed at: http://english.ipraction.gov.cn/article/ns/202101/334279.html.

grain, cotton, oil-bearing plants, bast-fibre plants, sugar, vegetables (including watermelon and musk melon), tobacco plants, mulberries, tea plants, fruit trees (except dry fruits), ornamental plants (except ligneous plants), grasses, green manure, herbaceous medicinal plants, edible fungi, algae, rubber trees, and other plants. The NFGA Science and Technology Development Center is responsible for the receipt, examination, and authorization of new varieties of forestry plants and other related matters.

3.281. Over the past 20 years, protection has expanded to a growing number of plant varieties. The number of applications has also increased annually, making China the country with the largest number of annual applications for agricultural plant varieties. According to the data released by the Office of Plant Variety Protection of MARA, since 1999, the number of applications and registrations for plant varieties has increased rapidly. In early 2019, the cumulative number of applications had reached 26,000 and the total number of grants was 12,000. In 2018, the number of applications for new varieties of agricultural plants reached more than 4,800, which is equivalent to the total number of applications in the last 10 years.[220] The numbers of applications for new varieties of agricultural plants in 2017, 2018, and 2019 were 3,842, 4,854, and 7,032, respectively, and the total number of grants reached 1,486, 1,990, and 2,288, respectively.

3.282. The NFGA released 7 lists of new varieties protection, covering 284 varieties, most of which are active in forestry breeding. The number of applications for new varieties of forestry plants has also increased annually. By 2020, the total number of applications for new varieties of forestry plants reached 5,566, and the total number of authorizations reached 2,643. In 2017, 2018, and 2019, there were, respectively, 623, 906, and 802 applications and 160, 145, and 439 authorizations for new varieties of forestry plants.

3.283. The authorities started reviewing the Regulations on the Protection of New Varieties of Plants in 2019. The Supreme People's Court plans to issue a judicial interpretation on the Provisions on Application of Law in the Trial of Disputes over New Plant Variety Rights in 2021.[221]

3.3.7.5.8 Undisclosed information and trade secrets

3.284. The legal framework governing the protection of undisclosed information and trade secrets is composed by the Anti-Unfair Competition Law (last amended in 2019), the Administrative Licensing Law (last amended in 2019), the Criminal Law (last amended in 2020), the Labour Law, the Regulations for the Implementation of the Law on Drug Control, and the Regulations on Administration of Agricultural Chemicals.

3.285. The Anti-Unfair Competition Law, as amended in 2019, contains revised provisions on trade secrets. Article 9 defines "trade secrets" as "technical information, business operation information, and other commercial information that are not known to the public, have commercial value, and for which the trade secret owner has adopted corresponding measures to maintain its confidentiality".

3.286. The amendment adds new types of trade secret infringements, particularly the acquisition of trade secrets through "cyber invasion"; prohibits indirect infringement of trade secrets that "instigates, induces, or helps others to obtain, disclose, use, or allow others to use the trade secrets of the rights holders in breach of confidential obligations or in violation of the requirements of the relevant rights holder on keeping confidential trade secrets"; expands the scope of persons who are subject to the provisions of trade secret infringement to include all individual and legal persons; adds punitive damages for malicious trade secret infringement; and increases the administrative fines that may be imposed for trade secret infringement.

3.287. Serious infringement of trade secrets constitutes a crime under the Criminal Law. In December 2020, the NPC Standing Committee passed the Criminal Law Amendments, which covered infringement of trade secrets. Specifically, the maximum and minimum penalty for this crime was increased, and the maximum penalty was increased from 7 to 10 years. The conviction and sentencing standards were revised, and actual losses will not be considered as the only prerequisite

[220] Twelve Tables Law Firm, "Introduction to the Protection of New Plant Varieties in China", 18 July 2019. Viewed at: https://www.lexology.com/library/detail.aspx?g=b012e1f4-d0a3-4ba3-9715-f045afc8118c#:~:text=China%20has%20established%20a%20legal,1%20of%20the%20same%20year.

[221] AFD China Intellectual Property Law Office, *New Plant Varieties Protection in China*, 26 October 2020. Viewed at: https://www.lexology.com/library/detail.aspx?g=2d8f77dd-bb01-463c-9783-41e1fa6bd0c0.

for constituting a crime. According to the authorities, the definition of trade secrets in the Criminal Law was deleted, and its definition was mentioned in the corresponding provisions of the Anti-Unfair Competition Law revised in 2019.

3.288. According to Article 23 of the FIL, implemented in March 2019, administrative agencies and their employees shall keep confidential, according to the Law, the trade secrets of foreign investors and foreign-funded enterprises to which they have access in performing their duties, and neither divulge nor illegally provide others with such secrets. Article 39 of the FIL stipulates that during the promotion, protection, and administration of foreign investment, where an employee of an administrative agency divulges or illegally provides others with any trade secret to which he or she has access in performing his or her duties, disciplinary action shall be taken against the employee according to the Law; and if it is criminally punishable, the employee shall be held criminally liable according to the Law. In April 2019, the Administrative Licensing Law, which governs business licences and certain regulatory approvals, was amended to incorporate similar content as that in the FIL. Article 5 prohibits that individuals (including government officials and external experts) involved in licensing procedures to disclose trade secrets and other confidential business information without the consent of the applicant, except in situations required by law or justified under national security or public interest grounds.

3.289. The China-United States Phase 1 Economic and Trade Agreement required China to enumerate additional prohibited acts that constitute trade secret misappropriation, including: (i) electronic intrusions; (ii) breach or inducement of a breach of duty not to disclose information that is secret or intended to be kept secret; and (iii) unauthorized disclosure or use that occurs after the acquisition of a trade secret under circumstances giving rise to a duty to protect the trade secret from disclosure or to limit the use of the trade secret. In addition, the agreement provides for burden shifting to an accused party in civil proceedings for misappropriation when the holder of a trade secret has produced *prima facie* evidence, including circumstantial evidence, of a reasonable indication of trade secret misappropriation by the accused party. Other measures include the use of preliminary injunctions, clarifying criminal enforcement of misappropriation, and preventing unauthorized disclosure of trade secrets by government entities.[222]

3.3.7.6 Enforcement

3.3.7.6.1 Overview

3.290. The IP enforcement regime continued to evolve in response to the challenges posed by the shift from brick-and-mortar stores to virtual marketplaces and the implementation of international agreements. In China, IP holders have the possibility of bringing action against the infringer either directly in a court or by requesting the competent administrative authority to handle the case. An administrative resolution is not necessary prior to the judicial resolution. All public security authorities above the prefecture and city levels have IPR crime-coordinating activities and lead organizations to arrange and coordinate action to crack down on infringement and counterfeiting activities. The Ministry of Public Security has cooperation agreements with other agencies (e.g. Customs) to facilitate the prompt reporting of and intervention on IP-related infringements. The SAMR launched the "Iron Fist" Intellectual Property Law Enforcement Action to crack down on trademark infringement, counterfeit patents, and other illegal activities. Table 3.32 provides an overview of enforcement actions taken by the authorities during the review period.

3.291. Regarding IP enforcement, the China-United States Phase 1 Economic and Trade Agreement contains provisions aimed to: (i) provide effective and expeditious action against infringement in the online environment, including requiring expeditious takedowns and ensuring the validity of notices and counternotices; (ii) take effective action against e-commerce platforms that fail to take necessary measures against infringement; (iii) take effective enforcement action against counterfeit pharmaceuticals and related products, including active pharmaceutical ingredients; (iv) increase actions to stop the manufacture and distribution of counterfeits with significant health or safety risks; (v) provide that the judicial authorities shall, except in exceptional circumstances, order the forfeiture and destruction of pirated and counterfeit goods, as well as the materials and implements predominantly used in their manufacture; (vi) significantly increase the number of enforcement actions against pirated and counterfeit goods at physical markets in China and those that are exported or in transit; (vii) ensure, including through third-party audits, that government agencies

[222] Government of China. Viewed at: http://www.gov.cn/guowuyuan/2020-01/16/content5469650.htm.

and SOEs only use licensed software; (viii) provide deterrent-level civil remedies and criminal penalties for IP theft, including increasing the range of minimum and maximum pre-established damages, sentences of imprisonment, and monetary fines; (ix) require the transfer of cases from administrative authorities to criminal authorities when there is a reasonable suspicion of a criminal violation; (x) ensure expeditious enforcement of judgments for violations of IPR; (xi) provide legal presumptions of copyright ownership and waive certain other requirements for bringing copyright infringement claims; (xii) eliminate or streamline requirements for foreign litigants to authenticate evidence for use in Chinese courts; and (xiii) provide a reasonable opportunity to present witnesses and to cross-examine opposing witnesses in civil proceedings.[223]

Table 3.32 IP enforcement, 2018-20

	2018	2019	2020
Cases dealt with by governmental agencies (administrative level)			
Patents			
Number of disputes	66,700	77,300	39,000
Copyright			
Number of disputes/administrative penalties	3,033	2,539	..
Imposition of fines (CNY million)	16	24	..
Cases transferred to judicial agencies	203	186	..
Businesses inspected	522,135	384,641	..
Illegal operation units banned	2,361	1,224	..
Underground dens detected	203	152	..
Trademarks			
Number of disputes	30,200	31,900	31,300
Cases transferred to judicial agencies	172	236	709
Value of fine (CNY million)	470	514	445
Cases handled by Customs at the border			
Cases dealt with by courts			
First-instance civil IPR cases accepted	201,039	283,414	399,031
First-instance civil IPR cases closed	192,938	273,945	394,521
Patent cases accepted	16,010	21,699	22,272
Patent cases closed	14,254	19,151	23,071
Trademark cases accepted	37,946	51,998	65,209
Trademark cases closed	35,816	49,367	64,784
Copyright cases accepted	137,267	195,408	293,066
Copyright cases closed	133,357	192,385	289,029
Technical contract cases accepted	2,098	2,680	3,135
Technical contract cases closed	2,214	2,452	3,181
Unfair competition cases accepted	2,429	4,080	4,128
Unfair competition cases closed	2,179	3,207	3,902
Other IPR cases accepted	5,289	7,549	11,221
Other IPR cases closed	5,118	7,382	11,445
Second instance civil IPR cases accepted	21,818	27,621	49,704
Second instance civil IPR cases closed	20,525	26,288	48,710

.. Not available.

Source: Information provided by the authorities.

3.292. China also released five judicial interpretations, including trade secret protection, patent licensing and confirmation, online IP infringement, criminal protection for IPRs, and evidence in IP-related civil proceedings, as well as providing three guiding opinions on IP protection for e-commerce platforms, strengthening the efforts of punishing IP infringements, and reinforcing the protection of copyrights and related rights.

3.3.7.6.2 Administrative procedures

3.293. Copyright administrative authorities have been established in all provinces, autonomous regions, municipalities, and certain cities to administer local copyright affairs including copyright enforcement. In 2018, local copyright law enforcement departments had 3,033 cases, of which 203 were transferred to criminal judicial agencies. More than 7.4 million pirated products were seized. Special measures to crack down on copyright infringement and piracy included the Sword

[223] Government of China. Viewed at: http://www.gov.cn/guowuyuan/2020-01/16/content_5469650.htm.

Network 2018 and Sword Network 2019 strategies to promote copyrights in key areas such as network reprinting, short videos, movies, streaming media, and images. Data provided by the authorities indicate that 994 network infringement cases were investigated.

3.294. During the review period, copyright surveillance of large-scale video, music, and literature websites, as well as online storage service providers, was strengthened. In 2018 and 2019, early warnings for 14 batches of key works, and 139 films and television works, were issued. These were reaffirmed by resident and non-resident right holders. The authorities have actively implemented outreach and training activities on enforcement and produced specific publications to inform the public.

3.295. During the review period, the CNIPA organized and launched IP protection campaigns and led nationwide efforts to crack down on infringements of trademarks, GIs, and patents. In 2018, the CNIPA joined MARA and four other departments to curb counterfeit, low-quality food in rural areas. In 2019, the CNIPA distributed the Special Action Plan for IP Law Enforcement and Protection. Also in 2019, the SAMR issued the Iron Fist Action Plan for IP Enforcement for 2019 and 2020; according to the authorities, it launched law enforcement actions against trademark infringement, counterfeit patents, and other illegal activities, and issued the Implementation Measures for Reinforcing IP Law Enforcement in Online Shopping and Imports and Exports jointly with the Ministry of Public Security, MARA, the GACC, the National Copyright Administration, and the National Intellectual Property Administration.

3.296. According to the authorities, since 2018, the CNIPA has taken the initiative to crack down on infringements in the area of forestry plant varieties. There is a plan to amend the Measures for Administrative Law Enforcement on the Protection of New Varieties of Forestry Plants to strengthen the protection of plant variety rights.

3.3.7.6.3 Judicial measures

3.297. During the review period, China continued its efforts to strengthen the capability of judicial enforcement. In January 2019, the new IP Court of the Supreme Court was established and has national jurisdiction over technical IP appeals. This is a major milestone in the Chinese IP litigation system. The IP Court implemented the Uniform Judgment Standard System Project and explored the simultaneous trial mode of administrative and civil cases, as well as optimized the trial mechanism of technical IP cases. Data provided by the authorities indicate that the IP Courts in Beijing, Shanghai, and Guangzhou have accepted more than 100,000 cases.

3.298. Since 2017, intermediate courts in 21 municipalities have set up special judicial agencies for first-instance IP cases. According to the authorities, local IP courts have improved the conduct of trials. Table 3.33 shows the number of judicial cases related to IP during 2018 and 2019.

Table 3.33 Judicial measures, 2018-19

Cases/growth	2018	2019
New cases received	334,951	481,793
Cases concluded	319,651	475,853
Percentage growth 2018-19	44.16%	48.87%

Source: Information provided by the authorities.

3.299. The courts have implemented the Opinions on Strengthening the Protection of Intellectual Property Rights, improved the timeliness and suitability of judicial remedies, and made efforts to achieve coordination and proportionality between compensation for infringement damages and the market value of IPRs. According to the authorities, the quality and effectiveness of trials have been improved, and the leading role of courts in IPR enforcement has become more prominent.

3.300. According to the authorities, the Opinions of the Supreme People's Court on Promoting the "Three-in-One" Trial of Civil, Administrative and Criminal Cases Involving Intellectual Property Rights in Courts Nationwide were put into practice. The Supreme People's Court reinforced its guidance on the "three-in-one" reform nationwide; researched IP-related criminal cases and revised relevant judicial interpretations; appointed a national database of technical investigators and experts; and issued the Technical Investigator Work Manual (2019) to provide work guidelines for courts. Courts

at all levels have further clarified how staff members could participate in technical fact-finding investigations.

3.301. The judicial system has worked to improve transparency by implementing the work requirements called "Disclosure as Principle and Non-Disclosure as Exception" and widening the scope of public hearings.

3.302. In April 2020, the Supreme People's Court released the list of the top 10 IP law cases of 2019. The cases cover patents (invention and industrial design), trademarks, copyrights, and unfair competition. The cases were adjudicated by courts throughout China at different appeal levels.

3.3.7.6.4 Customs measures

3.303. The legal framework for IP enforcement at the border is provided by the Customs Law, the Regulations on Customs Protection of Intellectual Property, and the Rules of the Customs for Implementing the Regulations on Customs Protection of Intellectual Property.

3.304. *Ex officio* or active IPR enforcement upon entry into China requires recording the information of the relevant IPRs with the GACC. This procedure is free and allows customs officials to monitor suspicious activities, inspect import and export shipments, and work directly with the right holder to identify infringing goods. The GACC has the authority to suspend the customs clearance of suspected infringing goods, detain the shipment at the request of the IPR holder, and investigate the infringement. If no determination on infringement is possible, the IPR holder can still pursue the case in court. If an IPR holder has not registered with the GACC, the customs authority is not in a position to investigate. The IPR holder can request that customs detain a shipment by providing evidence of the infringement and a deposit equivalent to the value of the goods. The IPR holder would need to file a case in court within 20 working days or the customs authority would release the goods. About 50,000 valid IPR registrations have been recorded with the GACC up to September 2019. In 2017, China Customs applied 22,500 IP protection measures, resulting in seizures of 19,100 shipments of goods suspected of IPR infringement. In 2018, China Customs applied 49,700 border protection measures, resulting in seizures of 47,200 shipments of goods suspected of IPR infringement. In 2019, China Customs applied 55,600 IP protection measures, resulting in seizures of 51,600 shipments of goods suspected of IPR infringement. Between 2017 and 2019, more than 97% of the seizures were based on China Customs' *ex officio* actions, while only around 3% was initiated by brand owners under passive protection scheme.

3.3.7.6.5 Criminal procedures

3.305. In December 2020, the Standing Committee of the National People's Congress adopted the amendments to the Criminal Law, which provide for stronger criminal penalties for IPR infringements, raising the maximum prison term for trademark and copyright infringements from 7 to 10 years; added the protection of service marks; and supplemented the types of criminal acts that infringe on trade secrets, adding "industrial espionage crime". The amendment is scheduled to enter into force in March 2021.[224]

[224] China's Website for the Campaign against IPR Infringements and Counterfeits, "China Amends Criminal Law", 28 December 2020. Viewed at: http://english.ipraction.gov.cn/article/ps/202012/331706.html.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture, Forestry, and Fisheries

4.1.1 Overview

4.1. The contribution of agriculture, animal husbandry, forestry, and fisheries to current GDP gradually decreased during the review period. The real growth rate fluctuated year-on-year, and employment (as a percentage of total employment) also gradually declined. Farming and animal husbandry continue to account for the majority of gross value output (over 81.3% in 2020) (Table 4.1).

Table 4.1 Principal indicators for agriculture, animal husbandry, forestry, and fisheries, 2015-20

	2015	2016	2017	2018	2019	2020
Contribution to current GDP (%)	8.7	8.4	7.8	7.3	7.4	6.0
Real growth rate (%)	3.9	3.3	4.0	3.5	3.2	1.1
Employment (percentage of total employment)[a]	28.3	27.7	27.0	25.1	..	..
Share of gross output value (%)[b]						
Farming	55.6	54.8	55.8	57.1	56.2	52.1
Forestry	4.5	4.6	4.8	5.0	4.9	4.3
Animal husbandry	29.4	30.0	28.2	26.6	28.1	29.2
Fishery	10.6	10.7	11.1	11.3	10.7	9.3

.. Not available.

a Percentage of employment of the primary industry in total employment not including mining; data for employment in agriculture, forestry, animal husbandry, and fisheries were not available.

b Including auxiliary services.

Note: The farming output data for 2020 are estimated data.

Source: Information provided by the authorities.

4.1.2 Agriculture

4.1.2.1 Features and market development

4.2. Over the period 2015-19, the overall value of production of agriculture and animal husbandry increased steadily (Table 4.2). Longer term trends are contained in Chart 4.1 and Chart 4.2.

Table 4.2 Agricultural production, 2015-19

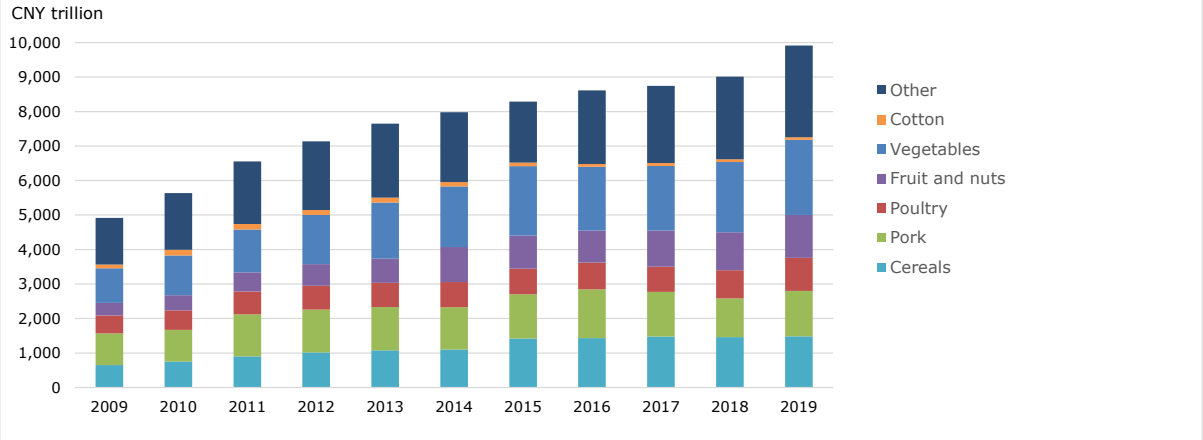
	Value of production of agriculture and animal husbandry	Cereals[a]	Pork	Poultry	Fruits	Vegetables	Cotton
CNY million							
2015	8,285,466	1,418,998	1,285,965	739,547	961,309	2,009,154	104,142
2016	8,612,106	1,429,738	1,413,344	777,516	929,945	1,851,000	79,010
2017	8,742,095	1,473,846	1,296,611	732,987	1,049,366	1,871,516	81,162
2018	9,015,000	1,460,160	1,120,265	816,272	1,102,956	2,037,395	81,216
2019	9,913,080	1,479,773	1,320,716	959,815	1,243,312	2,175,413	77,934
'000 tonnes							
2015	..	618,184	56,454	19,195	245,246	664,251	5,907
2016	..	616,665	54,255	20,017	244,052	674,342	5,343
2017	..	615,205	54,518	19,817	252,419	691,927	5,653
2018	..	610,036	54,037	19,937	256,884	703,467	6,103
2019	..	613,697	42,553	22,386	274,008	703,467	5,889

.. Not available.

a Main cereals produced are rice, wheat, and corn.

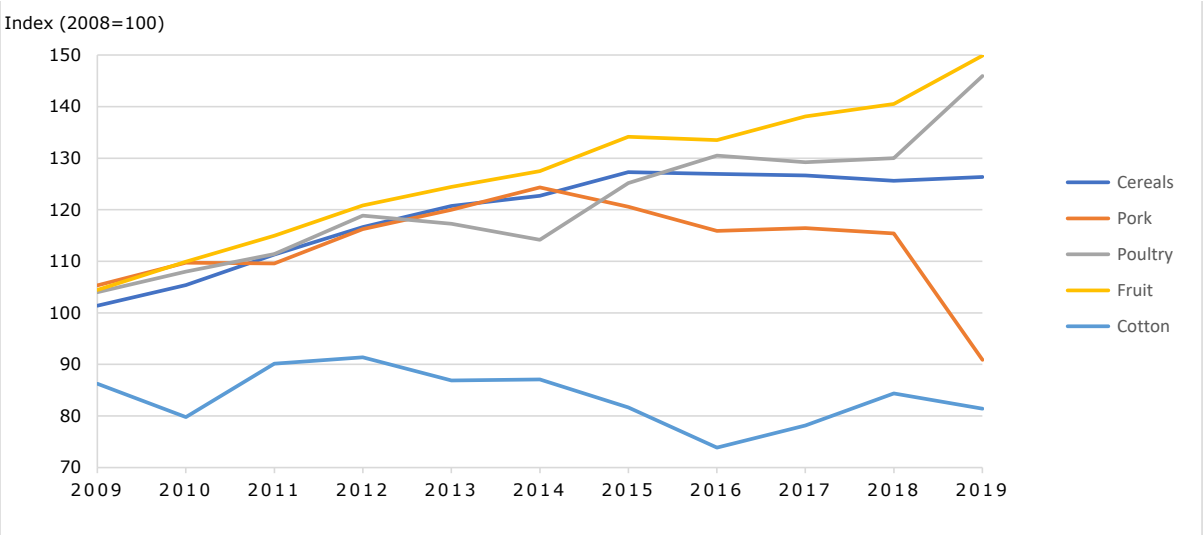
Source: National Bureau of Statistics, *China Statistical Yearbook 2019*. Viewed at: http://www.stats.gov.cn/tjsj/ndsj/2019/indexeh.htm; WTO document WT/TPR/S/375/Rev.1, 14 September 2018; and data provided by the authorities.

Chart 4.1 Value of production of agriculture and animal husbandry, 2009-19



Source: National Bureau of Statistics, *China Statistical Yearbook 2019*. Viewed at: http://www.stats.gov.cn/tjsj/ndsj/2019/indexeh.htm; and data provided by the authorities.

Chart 4.2 Volume of production, 2009-19



Source: National Bureau of Statistics, *China Statistical Yearbook 2019*. Viewed at: http://www.stats.gov.cn/tjsj/ndsj/2019/indexeh.htm; and data provided by the authorities.

4.3. China continues to be a net importer of agricultural products, although agricultural imports represented only 6.4% of total merchandise imports in 2020. As at the time of China's previous Review, China's main agricultural exports by tariff line (at the HS 4-digit level) are fruits and vegetables. Imports of agricultural products continue to be dominated by soya beans, although their share in imports dropped between 2017 and 2020 (Table 4.3).

Table 4.3 Agricultural exports and imports, 2015-20

	2015	2016	2017	2018	2019	2020
Exports[a] (USD million)	50,425.8	52,491.7	54,576.6	57,619.8	58,490.6	57,486.6
% of total exports	2.2	2.5	2.4	2.3	2.3	2.2
Growth rate (%)	0.2	4.1	4.0	5.6	1.5	-1.7
Top 10 exports at HS 4-digit level (% of total)						
0703 Onions, garlic, fresh or chilled	4.7	6.0	5.0	3.4	4.5	4.6
2008 Fruit and nuts prepared/preserved, n.e.s.	5.1	4.8	5.0	5.1	4.5	4.4
2106 Food preparations, n.e.s.	2.5	2.6	2.7	3.2	3.5	4.0
0712 Dried vegetables	5.6	6.2	7.3	7.0	5.0	3.7
0808 Apples, pears and quinces, fresh	2.9	3.7	3.7	3.2	3.1	3.7
2309 Preparations of a kind used in animal feed	3.2	3.2	3.4	3.7	3.3	3.6
0902 Tea	2.7	2.8	2.9	3.1	3.5	3.5

	2015	2016	2017	2018	2019	2020
2005 Other prepared/preserved vegetables	3.7	3.8	3.9	3.8	3.7	3.5
1302 Vegetable saps and extracts, etc.	2.5	2.4	2.5	2.6	2.7	2.8
2103 Sauces; mixed condiments and seasonings	2.0	1.8	2.0	2.1	2.2	2.7
Imports[a] (USD million)	108,526.1	102,992.2	115,441.9	123,793.3	132,583.1	157,424.1
% of total imports	5.8	6.5	6.5	6.3	5.8	6.4
Growth rate (%)	-5.1	-5.1	12.1	7.2	7.1	18.7
Top 10 imports at HS 4-digit level (% of total)						
1201 Soya beans	32.1	33.0	34.3	30.8	26.7	25.1
0203 Meat of swine, fresh, chilled or frozen	1.3	3.1	1.9	1.7	3.4	7.5
0202 Meat of bovine animals, frozen	2.1	2.4	2.6	3.8	6.0	6.2
1901 Food preparations of cereals, flour or milk	2.7	3.4	3.9	4.4	4.4	3.7
1511 Palm oil and its fractions	3.4	2.8	3.0	2.7	3.1	2.6
0810 Fresh fruit, n.e.s. in chapter 8	1.8	1.8	1.7	2.0	2.4	2.6
2106 Food preparations, n.e.s.	1.2	1.4	1.7	2.2	2.4	2.5
5201 Cotton, not carded or combed	2.4	1.5	1.9	2.6	2.7	2.3
0207 Meat of poultry, fresh, chilled or frozen	0.9	1.2	0.9	0.9	1.5	2.2
0402 Milk and cream, concentrated or containing added sugar	1.4	1.5	1.9	2.0	2.4	2.1

a WTO definition.

Note: Top 10 agricultural exports and imports by HS 4-digit level are sorted by the year 2020.

Source: WTO Secretariat calculations, based on trade figures from UN Comtrade database.

4.4. Farmland continues to be owned by villagers' collectives that had a 15-year ownership for a first round and a 30-year ownership for a second round under the household contract responsibility system set up in the late 1970s and early 1980s. Having signed the contract, farmers are guaranteed the right to occupy, use, and profit from the tenure of the farmland during the period covered by the contract. Rural households can transfer the land management right in exchange for income through the "three-rights" separation system, which was embedded in law through amendments to the Rural Contract Law in 2018.[1] According to the authorities, this system facilitated a more efficient allocation of land management rights to support appropriately scaled management and the development of modern agriculture. Reportedly, the registration and certification of 200 million rural households' contracted land rights have been completed, and, by the end of 2019, 550 million mu (1 mu being 667 m^2) of rural contracted land had been transferred. During the review period, a greater emphasis was placed on experimenting with a similar approach to underused or unused rural homesteads, to promote housing use and densification, as well as to liberate construction land for new industries. Homesteads are collective rural construction lands owned by the village collectives and allocated for villagers to build homes and supporting facilities.[2] The authorities indicate that pilot programmes for rural homestead reform have been carried out in 33 counties (cities or districts) since 2015. Following the requirement of acquisition in a lawful and fair manner, economic and intensive use, and voluntary paid exit, pilot projects have explored guaranteeing housing for all rural households, establishing homestead paid use and exit mechanisms, delegating homestead approval authority, and improving the homestead management system. Some of the results gained from pilot programmes were incorporated into the newly revised Land Management Law. In 2018, the Government announced a policy to explore the three-rights separation system for homesteads.[3] In June 2020, China adopted the Pilot Program for Deepening the Rural Homestead System Reform,

[1] Under a pilot three-rights separation system initiated in 2014, the right of collective ownership, the contracting right of farmer households, and the operating right of rural land were separated. The objective was to optimally utilize farmland considering increasing levels of urbanization and a corresponding underutilization of farmlands owned by farmers no longer living in rural areas and thus enable active farmers or agri-businesses to work the land (CTGN, *China's "No. 1. Document" to Continue Land Reforms as Part of Revitalization Strategy*, 4 February 2018. Viewed at: https://news.cgtn.com/news/7751444e31677a6333566d54/index.html). In 2016, China adopted the Opinions on Improving the System for Separating Rural Land Ownership, Contract Rights and Management Rights, making a systematic and comprehensive institutional arrangement for the "separation of three rights" of the rural contracted land, proposing to speed up the liberalization of land management rights, and establish and perfect a standardized management system for land transfer.

[2] The authorities indicate that, in the context of this Review, the Government has not yet calculated the total area of homesteads; however, in the future, MARA will establish a nationwide homestead survey system and make the survey results public, according to law.

[3] MDPI, "Report from a Chinese Village 2019: Rural Homestead Transfer and Rural Vitalization", *MDPI Sustainability Journal*, 18 October 2020. Viewed at: https://www.mdpi.com.

which requires the relevant authorities to explore the implementation of homestead collective ownership, the protection of rural households' entitlement to homestead and housing property rights, and the moderate relaxing of specific paths/measures regarding the rights of use of homesteads and rural houses while safeguarding and developing the rights and interests of farmers.

4.1.2.2 Legal and institutional framework

4.5. The Government is responsible for establishing the general agricultural policy framework and the rules for its implementation. As part of the Government's restructuring in 2018, various institutional changes were made. The Ministry of Agriculture (MOA) was renamed the Ministry of Agriculture and Rural Affairs (MARA) and falls under the responsibility of the State Council. Its priorities are resolution of the "three-rights" issues (Section 4.1.2.1), agricultural and rural development, implementation of the rural revitalization strategy (Section 4.1.2.3), promotion of agricultural upgrading, farmer development, and acceleration of agricultural and rural modernization. MARA took over the responsibilities of the MOA, as well as the management responsibilities for the agricultural investment projects of the National Development and Reform Commission (NDRC), the comprehensive agricultural development projects of the Ministry of Finance, the farmland investment projects of the Ministry of Land and Resources, and the farmland water conservancy construction projects of the Ministry of Water Resources. The National Food and Strategic Reserves Administration (NAFRA) was also established under the purview of the NDRC, with a view to strengthening the overall planning and building of a unified national material reserves system, enhancing the supervision and management of the central grain and cotton reserves, and improving the national reserve's capacity to respond to emergencies. The NAFRA is responsible for: (i) implementing the purchase, storage, rotation, and management of emergency reserves in accordance with the overall development plan and the catalogue of the national reserves system; (ii) constructing and managing related infrastructure; and (iii) supervising and inspecting government and enterprise reserves and the implementation of the reserve policies. It is also responsible for industry guidance of grain distribution and administrative management of the central reserves of grain and cotton. The State Administration of Grain was dissolved. Additionally, the Ministry of Science and Technology (MOST), which has a lead role in supporting the development of the biotechnology industry, took responsibility for China's National Science Foundation, a public science funding body. MARA, together with, *inter alia*, the NDRC, the Ministry of Finance, and the Ministry of Commerce (MOFCOM), is in charge of implementing agricultural policy.

4.6. Among the central state-owned enterprises (SOEs) and their subsidiaries under the State-owned Assets Supervision and Administration Commission's (SASAC) supervision operating in the agriculture sector and related sectors, such as food processing and the production of seeds, fertilizers, and pesticides, are: the China Agriculture Development Group; COFCO Corporation; the China Grain Storage Group; China Salt Industry Group; Sinochem; China National Chemical Group; and the China National Seed Group.

4.7. Key laws in the agriculture sector are set out in Table 4.4.

4.8. In 2018, amendments to the Law on the Contracting of Rural Land were made to legally upgrade the institutional arrangements on the "three-rights" separation system of rural contracted land (Section 4.1.2.1). Major changes to the Land Administration Law in 2019 were made to narrow the scope of land requisition, allow collective operating construction land to enter the market, establish the means of protecting rural land designated for housing, and strengthen the protection of arable land (especially permanent basic farmland). Amendments to the Law and Safety of Agricultural Products in 2018 reflected institutional changes. The main change to the Law on the Organization of Villagers' Committees in 2018 was to change the term of a Villagers' Committee member from three to five years. The 2018 revision to the Agricultural Mechanization Promotion Law did not involve any substantial changes.[4]

4.9. Since China's previous Review, FDI restrictions on companies selecting and cultivating new varieties of crop and producing seeds have been eased, except for soybean and rice; the requirement for Chinese parties to be controlling shareholders now applies only to corn. With respect to wheat, the Chinese shareholding threshold has been reduced to 34% (Table A2.3).[5]

[4] The revision merged the first and second paragraphs of Article 12.
[5] See also WTO document WT/TPR/S/375/Rev.1, 14 September 2018, Table A2.3.

Table 4.4 Main agriculture-related laws, December 2020

Law (date of last amendment)	Coverage
Agriculture Law, 1993 (2012)	Principles for agriculture development, management, and preservation. Agriculture encompasses crop-plantation, forestry, animal husbandry, and fisheries.
Law on Specialized Farmers' Cooperatives, 2006 (2017)	Regulations on norms and behaviour of specialized farmers' cooperatives.
Law on Promotion of Agricultural Mechanization, 2004 (2018)	Provisions to encourage and support peasants and agricultural production and operation organizations to use advanced machines, promote mechanization, and develop modern agriculture.
Law on the Contracting of Rural Land, 2002 (2018)	Provisions to stabilize and perfect the two-level operation system that is based on the responsibility system of contracting by households supplemented by unified management, entitling peasants to a long-term and guaranteed right to land use.
Law of Agricultural Engineering Extension, 1993 (2012)	Provisions to strengthen agricultural engineering extension, and advance agricultural scientific research and new technology to ensure agricultural development and modernization.
Land Administration Law, 1986 (2019)	Provisions on the ownership and land use rights, land use planning, protection of cultivated land, land for construction, and supervision and inspection.
Law on the Quality and Safety of Agricultural Products, 2006 (2018)	Provisions on quality and safety standards, origin, production, packing and labelling, and supervision and inspection of agricultural products.
Law on the Organization of Villagers' Committees, 1998 (2018)	Provisions on composition and responsibilities of villagers' committees, election of village committees, villagers' meetings, and democratic supervision and management.

Source: FAOLEX Database, *China*. Viewed at: http://www.fao.org/countryprofiles/index/en/?iso3=CHN; Land Administration Law. Viewed at: http://www.moj.gov.cn/Department/content/2019-09/18/592_3232173.html; Agricultural Mechanization Promotion Law. Viewed at: http://www.moa.gov.cn/gk/zcfg/fl/202007/t20200716_6348748.htm; Law on Quality and Safety of Agricultural Products. Viewed at: http://www.moj.gov.cn/Department/content/2019-01/17/592_226992.html; Law on the Organization of Villagers' Committees. Viewed at: http://www.moj.gov.cn/Department/content/2019-01/17/592_227048.html; and Rural Contract Law. Viewed at: http://www.npc.gov.cn/npc/c30834/201901/cd063e4c0f19465e9d41946001fe839c.shtml.

4.1.2.3 Policy objectives and reforms

4.10. The main agricultural strategy in China is the Strategic Plan for Rural Revitalization (2018-22) released in 2018.[6] The reasons for issuing the Plan were to build on improvements achieved in the agricultural sector and to address challenges relating to improving the quality and effectiveness of agricultural development, developing rural talents, lagging construction of rural public facilities, and closing the large gap between urban and rural public services and the income of urban and rural residents. According to the authorities, the Plan gives priority to agricultural and rural development, and the overall requirement of making the countryside prosperous in terms of industrial development, liveable in terms of ecological environment, civilized in terms of conduct, effective in terms of governance, and well off in terms of the standard of living. Under the Plan, institutional mechanisms and policy frameworks for integrated development of the urban and rural areas are being developed to accelerate the modernization of rural governance systems and capabilities, as well as of agricultural and rural areas. Various plans were released to implement the goals contained in Strategic Plan, including China's No. 1 Central Documents on Agriculture and Rural Development of 2018, 2019 and 2020[7]; the Development Plan for Digital Agriculture and Rural Areas (2019-25)[8]; and a white paper on food security in China.[9]

[6] Strategic Plan for Rural Revitalization. Viewed at: http://www.gov.cn/zhengce/2018-09/26/content_5325534.htm.

[7] For an explanation of the contents of these documents, as well as a link to the official texts, see FAO, *China No. 1 Central Document of 2018.* Viewed at: http://www.fao.org/faolex/results/details/en/c/LEX-FAOC179223; *China No. 1 Central Document of 2019*. Viewed at: http://www.fao.org/faolex/results/details/en/c/LEX-FAOC192851; and *China No. 1 Central Document of 2020.* Viewed at: http://www.fao.org/faolex/results/details/en/c/LEX-FAOC192850.

[8] FAO (2019), *Development Plan for Digital Agriculture and Rural Areas (2019-2025)*. Viewed at: http://www.fao.org/faolex/results/details/en/c/LEX-FAOC193207.

[9] FAO (2019), *White Paper: Food Security in China*. Viewed at: http://www.fao.org/faolex/results/details/en/c/LEX-FAOC195922.

4.11. Policy objectives for modernizing the agricultural sector are also contained in China's 13th Five-Year Plan for Economic and Social Development (2016-20), which has four main elements: (i) strengthening the capacity for ensuring the safety of agricultural products; (ii) establishing a modern agricultural operations system; (iii) improving technology and equipment and increasing information technology (IT) application in agriculture; and (iv) improving systems for providing support and protection for agriculture. It also contains goals for developing the agricultural biotechnology segment, including genetically modified crops. In the 14th Five-Year Plan for Economic and Social Development, policy objectives in agriculture included: implementing the strategy of rural revitalization, strengthening the use of industry to supplement agriculture, and promoting the formation of a new type of urban-rural relationship between industry and agriculture. The authorities state that steps to implement the goals/reforms contained in the above-mentioned plans include promotion of large-scale construction of high-standard farmland, demarcation of functional areas of grain production and essential production areas for agricultural products, strengthened innovation in agricultural science and technology, and promotion of whole-process mechanized production of major crops. Additionally, support is being given to establishing modern agricultural industrial parks and townships and industry clusters, and developing new business models (i.e. leisure agriculture, rural tourism, and rural e-commerce). Other areas of focus include encouraging clean agricultural production, developing a three-year action plan to protect and restore the rural environment, promoting rural culture, and improving transport infrastructure, utilities, and public service delivery.

4.12. In July 2020, MARA issued a 2020-25 National Plan for Rural Industrial Development[10], which sets out the goals and revenue targets for rural industrial development over the period, with priorities including upgrading agricultural product processing industries, expanding rural speciality industries, improving agricultural tourism, developing new-type rural service industries, promoting synergies between vertical integration of agriculture and rural industries development, and advancing entrepreneurship and innovation in rural areas.

4.1.2.4 Policy instruments

4.1.2.4.1 Border measures

4.13. Agricultural products (WTO definition) are, with the exception of some animal products, subject to *ad valorem* applied rates.[11] In 2021, the average most-favoured nation (MFN) applied tariff on agricultural products was 12.7% (14.8% in 2017). The product groups subject to higher-than-average tariff protection included sugars and confectionery (30.6%); cotton (22.0%); cereals and preparations (19.7%); beverages, spirits and tobacco (14.9%); and coffee and tea (13%). The simple average tariff for oilseeds, fats, and oils (including soybeans, one of China's major imports) was the lowest among agricultural products, at 10.1% (10.5% in 2017). In addition, the variability of agricultural tariffs, with a standard deviation (SD) of 10.1, was higher than that of non-agricultural products (SD 4.6). Variability was particularly high for cereals and preparations (SD 20.4) and sugars and confectionery (SD 16.2), followed closely by beverages, spirits and tobacco (SD 15.8) and cotton (SD 14.7) (Table A3.1).

4.14. China continues to make use of tariff rate quotas (TRQs), which are administered through import licences (Section 3.1.5).[12] Except for uncombed cotton, in-quota and out-of-quota tariff rates are *ad valorem*. China applies an interim rate in the form of a sliding duty to a certain amount of uncombed cotton (HS 5201.0000) imported out of quota, with the sliding duty rate capped at 40% (i.e. the bound rate for cotton). Taking 2021 as an example, the sliding duty rate in the year depends on the base price (CNY 14/kg). If the dutiable value of the cotton imported is equal to or higher than the base price, a specific duty of CNY 0.28/kg is levied, and if the import price is lower than the base price, an *ad valorem* rate based on the sliding-scale duty formula applies. Since 2018, the implementation rate of tariff quotas has fluctuated, along with domestic and foreign market conditions. In 2018, the tariff quota fill rates for wheat, corn, and wool tops were relatively low at 32%, 39%, and 13%, respectively (Table 4.5). In 2019, fill rates for wheat, rice, and wool tops were 36%, 48%, and 17%, respectively. The authorities indicate that fluctuating fill rates are due to

[10] MARA. Viewed at: http://www.moa.gov.cn/govpublic/XZQYJ/202007/t20200716_6348795.htm.

[11] These products are six tariff lines under HS 0207 – frozen meat and edible offal of fowls of the species *Gallus domesticus* (poultry), and one line under HS 0504.00.21 – frozen gizzard. Three tariff lines carry alternate/mixed rates under HS 4001 – natural rubber; those three alternate rates are interim duties.

[12] WTO document G/LIC/N/3/CHN/18, 30 January 2020.

changes in domestic and international market conditions; they note a higher fill rate of 87% for wheat in 2020.

Table 4.5 TRQs on agricultural products and their utilization, 2018-19

Products	Out-of-quota rates	In-quota rates	Tariff quota quantity	In-quota imports	
				2018	2019
	(%)		(tonnes)		
Wheat (7 lines)			9,636,000	3,098,719	3,487,626
Wheat and meslin (4 lines)	65	1			
Wheat or meslin flour (1 line)	65	6			
Groats and meal of wheat (1 line)	65	9			
Pellets of wheat (1 line)	65	10			
Corn (5 lines)			7,200,000	2,827,288	4,793,424
Maize (corn) seed (1 line)	20	1			
Maize (corn) other than seed (1 line)	65	1			
Maize (corn) flour (1 line)	40	9			
Groats and meal of corn (1 line)	65	9			
Rolled or flaked corn (1 line)	65	10			
Rice (14 lines)			5,320,000[a]	3,076,644	2,545,726
Rice, other than broken (8 lines)	65	1			
Broken rice (2 lines)	10	1			
Rice flour (2 lines)	40	9			
Meal of rice (2 lines)	10	9			
Sugar (7 lines)	50	15	1,945,000	1,945,000	1,945,000
Wool (6 lines)	38	1	287,000	253,832	277,166
Wool tops (3 lines)	38	3	80,000	10,307	13,961
Cotton (2 lines)	40	1	894,000	894,000	894,000

a Tariff quota quantity is 2,660,000 tonnes for short- and medium-grain rice combined and 2,660,000 tonnes for long-grain rice.

Note: The number of tariff lines in brackets (HS 8-digit level) refers to the 2018-19 customs tariff.

Source: WTO documents G/AG/N/CHN/55, 7 December 2020; and G/AG/N/CHN/50, 6 November 2019; and Ministry of Finance (2019), *Customs Tariff of Imports and Export of the People's Republic of China*.

4.15. The NDRC is responsible for allocating TRQs for grains and cotton, and MOFCOM allocates the rest. Some products subject to TRQs (i.e. grains, cotton, and sugar) are also subject to state trading. In these cases, one part of the quota is allocated to state trading enterprises and the other part to other enterprises. The administration methods of the TRQs as described by China in its notification to the WTO remained unchanged.[13]

4.16. The importation of grain (wheat, maize, and rice), sugar, tobacco, and cotton is subject to state trading.[14]

4.17. The VAT rate on agricultural domestic and imported goods stood at 9% in 2020 (reduced from 11% in 2017).[15] Self-produced agricultural products sold by agricultural producers are VAT exempt (Table 3.4). Tobacco leaf (i.e. sun-dried leaf tobacco and toasted leaf tobacco) purchased in China is subject to a 20% tobacco leaf tax.[16] The authorities state that this tax is not levied on imported tobacco leaf.

4.1.2.4.2 Measures affecting exports

4.18. China notified the WTO that export subsidies were not granted to agricultural products during the calendar years 2018 and 2019.[17] The authorities did not provide an update as to whether export subsidies were provided in 2020. As indicated in its previous Review, China replied to the questionnaire on export competition, circulated on 31 October 2016, that it provides export financing

[13] WTO document G/AG/N/CHN/2, 25 September 2003, Table MA:1.

[14] WTO documents G/STR/N/16/CHN and G/STR/N/17/CHN, 24 July 2018. The period covered by the notification is 2015-17. The authorities confirm that this remains the case as at early 2021.

[15] State Taxation Administration, together with the Ministry of Finance, issued the Circular on Policies for Simplifying and Consolidating Value-added Tax (VAT) Rates (Cai Shui No. 37, 2017), which reduced the applicable tax rate from 13% to 11% for agricultural products.

[16] Tobacco Tax Law of 2017. This Law replaced the Interim Regulation on Tobacco Tax. The 20% tax rate did not change.

[17] WTO documents G/AG/N/CHN/51, 6 November 2019; and G/AG/N/CHN/53, 7 December 2020.

programmes (i.e. export credit, export credit guarantees, and insurance programmes) covering, *inter alia*, agricultural goods.[18] With respect to the questionnaire on export competition circulated on 17 January 2020, the authorities indicate that the related information would be disclosed in its coming notification. No data were available on food aid provided by China during the review period.

4.19. Export taxes are levied on four tariff lines (at the HS 8-digit level) relating to products of animal origin, and two tariff lines on raw hides and skins (Table 3.11).[19]

4.20. Exports of cotton, rice, maize, and tobacco are subject to state trading.[20] These products, except for tobacco, are also subject to export quotas, which are managed by the NDRC and MOFCOM, and are allocated only to state trading enterprises. Wheat is also subject to export quotas (Table 4.6).

Table 4.6 Agricultural products subject to export quotas and licensing in 2020

Products	Type of licence	Comment
Goods subject to quota and licensing		
Rice, maize, wheat, and cotton	Export quota licence	The quota is allocated by the NDRC and MOFCOM, and the licence is issued by MOFCOM.
Live cattle and swine (for export to Hong Kong, China and Macao, China); live chicken for export to Hong Kong, China; and flour of maize rice and wheat	Export quota licence	The quota is allocated by MOFCOM.
Goods subject to licensing		
Live cattle and swine (for markets other than Hong Kong, China or Macao, China) and chicken (for markets other than Hong Kong, China) and frozen and chilled beef, pork, and chicken meat	Export licence	A licence is granted if the exporter has the relevant export contract.

Source: Information provided by the authorities.

4.21. Table 4.7 describes the size of the export quotas for maize, rice, and wheat flour in 2018, 2019, and 2020.

Table 4.7 Export quotas for maize, rice, and wheat flour, 2018-20

(Tonnes)

Product	2018	2019	2020
Maize flour	20,500	330	420
Rice flour	2,500	50	60
Wheat flour	329,600	154,200	155,540

Source: Information provided by the authorities.

4.1.2.4.3 Internal measures

4.1.2.4.3.1 Support measures

4.22. Central Government support to farmers takes the form of tax incentives (Table 4.8) or fiscal appropriations (Table 4.9). In 2018, China notified the WTO Agriculture Committee of the support given to the agriculture sector over the period 2011-16 (Section 4.1.2.4.4).[21] Support programmes covering the period 2017-18 were notified by China under the Agreement on Subsidies and Countervailing Measures (SCM Agreement). The only new notified programme introduced in 2018 was the subsidy for a new round of returning cultivated land to forests and grassland. With respect to tax incentives, no information was provided on revenue forgone from Central Government tax incentives (Table 4.8), as apparently China does not collect tax expenditures. Information was also

[18] WTO document WT/TPR/S/375/Rev.1, 14 September 2018.
[19] The lines concerned are 0506.10.00 (ossein and bones treated with acid); 0506.90.11, 0506.90.19, and 0506.90.90 (powder and waste of bones); and 4103.90.11 and 4103.90.19 (dried hides and skins of goats).
[20] WTO documents G/STR/N/16/CHN and G/STR/N/17/CHN, 24 July 2018.
[21] WTO documents G/AG/N/CHN/42-47, 14 December 2018.

not provided on which incentive schemes remain in force as at early 2021 and, in several cases, the form that fiscal appropriations take (i.e. grants, preferential loans, etc.).

Table 4.8 Central Government tax incentives provided to the agriculture sector, 2018

Title *Legal basis*	Objective	Subsidy	Start date
Projects of agricultural, forestry, animal, and fishery *Law of the People's Republic of China on Enterprise Income Tax (2007); Regulations for the Implementation of the Law of the People's Republic of China on Enterprise Income Tax (2007); MOF Circular Cai Shui No. 149, 2008; MOF Circular Cai Shui No. 26, 2011; MOF Circular Cai Shui No. 73, 2016*	To support the development of agriculture	Enterprise income tax exemption/reduction from income derived by an enterprise from stipulated projects of preliminary processing related to farming, forestry, animal husbandry, and fisheries	2008
Imported products for the purpose of replacing the planting of poppies *MOF Circular Cai Shui No. 63, 2000*	To support the replacement of the planting of poppies in the border areas in Yunnan province	VAT and tariff exemption for approved imported products	2000
Imports of seeds (seedlings) *MOF Circular Cai Shui No. 26, 2016*	To introduce and promote improved breeds, strengthen the protection of species resources, and develop high-quality, productive, and efficient agriculture and forestry industries	VAT exemptions for approved imported seeds (seedlings), breeding stock (fowl), fish fries (breeds), and wild animals	2006
Preferential tax treatment for tea sold in the border areas *MOF Circular Cai Shui No. 73, 2016*	To reduce costs of ethnic minorities living in border areas to purchase border-selling tea, and ensure sufficient supply of border-selling tea at border areas inhabited by ethnic minorities	VAT exemption for tea sold in border areas produced or distributed by designated enterprises/distribution entities	2016

Source: WTO documents G/SCM/N/343/CHN, 19 July 2019; and G/SCM/N/343/CHN/Corr.1, 31 July 2019.

Table 4.9 Central Government fiscal appropriations for the agriculture sector, 2018

Title *Legal basis*	Objective(s)	Subsidy	Start date	Budgetary allotments (CNY million)
Fund for development of agriculture *MOF Circular Cai Nong No. 41, 2017*	To promote agricultural production, optimize industrial structure, facilitate integration of industries, and improve agricultural efficiency	Provided to farmers, family farms, farmer cooperatives, and agriculture machinery service providers for green and efficient technology promotion service and agricultural production development	2017	2018: 193,650
Subsidy for agricultural comprehensive development *MOF Decree No. 60 (date not provided)*	To strengthen agricultural infrastructure and ecological construction, improve comprehensive agricultural production capacity, promote the adjustment of agricultural structures, and increase farmers' incomes	Provided to local governments for eligible agricultural comprehensive development projects	1988	2018: 39,540
Fund for poverty alleviation (in Sanxi Area and for state-owned poverty-stricken farms and forestry farms) *MOF Circular Cai Nong No. 8, 2017*	To improve production, income, and living conditions of poor farmers, and accelerate economic and social development in poverty-stricken areas	Provided to local governments for development-oriented projects in Sanxi Area, and state-owned poverty-stricken farms and forestry farms	1980	2018: 106,095
Fund for water resources development (for farmland water and soil conservation projects) *MOF Circular Cai Nong No. 181, 2016*	To support rural areas to develop small farmland water conservation projects to prevent water and soil erosion	Provided to provincial governments for farmland water and soil conservation projects	1983	2018: 30,694.76

Title *Legal basis*	Objective(s)	Subsidy	Start date	Budgetary allotments (CNY million)
Fund for disaster prevention and relief for agriculture, flood control, and drought *MOF Circular Cai Nong No. 91, 2017*	To support the response to agricultural disasters, floods, and droughts	To be allocated to beneficiaries that are to be determined in accordance with the disaster situation	2017	2018: 7,060.5
Fund for agricultural resources and ecological protection *MOF Circular Cai Nong No. 42, 2017*	To be used for agricultural resource conservation, ecological protection, and benefit compensation	Provided to provincial governments to be allocated to eligible farmers, herdsmen, new types of agricultural entities, and units and individuals that undertake project tasks	2017	2018: 24,536
Subsidy for a new round of returning cultivated land to forests and grassland *MOF Circular Cai Nong No. 66, 2018*	To improve the ecological environment and promote sustainable development	Provided to provincial governments to be distributed to farmers to return cultivated land to forests and grassland	2018	2018: 12,789

Note: Forestry-related subsidies are not included in this table, with the exception of those related to turning cultivated land into forest.

Source: WTO documents G/SCM/N/343/CHN, 19 July 2019; and G/SCM/N/343/CHN/Corr.1, 31 July 2019.

4.23. The authorities indicate that pending China's new notification, which is apparently being prepared, information on new support programmes introduced during the review period (which are not covered in China's latest SCM notification) was not available. However, it would appear that since 2018, at least two additional new programmes have been introduced: (i) an environmental tax exemption for farming enterprises under which a temporary environmental protection tax exemption is provided for agricultural production pollutant discharges (excluding large-scale breeding)[22]; and (ii) a subsidy fund for farmland construction that aims to optimize the layout of farmland and improve its quality, and to attract talent and social capital to invest in agricultural development. With respect to the latter, it would appear that farmland construction subsidy funds (comprising investment subsidies and loan discounts) are used for the construction of high-standard farmland and farmland water conservation. Target beneficiaries include small farmers, rural collective economic organizations, family farms, farmer cooperatives, large professional farms, and agricultural enterprises in grain production functional areas and important agricultural production protection areas.[23] The budgetary allotments were CNY 67,392 million in 2019 and CNY 68,280 million in 2020.

4.24. A few subsidy programmes to support farmers at the sub-Central Government level were also notified to the WTO.[24] Pending China's submission of its new notification to the SCM Committee, information was not available on whether these programmes remained in force as at early 2021 or if any new programmes have been introduced at the sub-Central Government level since 2018.

4.1.2.4.3.2 Price controls and market price support systems

4.25. As noted in previous Reviews, China implements a minimum purchase price policy for rice and wheat, considered to be the two most important grain varieties, in major producing areas. The authorities state that, in general, farmers sell grain at market prices. Only when the market prices of rice and wheat fall below the minimum procurement prices (MPPs) can farmers sell the commodities that meet quality requirements to designated enterprises, so as to reduce losses caused by falling grain prices. These prices, as well as limited total purchase volumes, are set on a yearly basis by the NDRC in consultation with MARA and other government agencies. The MPP of rice in

[22] Environmental Protection Tax Law of the People's Republic of China 2018, Article 12(1). Viewed at: https://www.ecolex.org/details/legislation/environmental-protection-tax-law-lex-faoc162625.

[23] MARA, Cai Nong No. 46, 2019. Viewed at: http://www.moa.gov.cn/gk/zcjd/201909/t20190904_6327227.htm.

[24] WTO documents G/SCM/N/343/CHN, 19 July 2019; and G/SCM/N/343/CHN/Corr.1, 31 July 2019. These programmes were: (i) a grant for returning farmland to forests or pastures (Shanxi Province); (ii) a subsidy for tobacco industry development (Fuling District of Chongqing Municipality); (iii) a reward for agricultural science parks (Qinghai Province); (iv) a fund for treating domestic sewage in farming and pastoral areas (Qinghai Province); and (v) a grant for turning the cultivated land into forestry (Dalian City, Liaoning Province).

2018 was substantially lowered, while the MPPs of wheat in both 2018 and 2019 were slightly lowered. (Table 4.10).

Table 4.10 Minimum procurement prices, 2016-21

(CNY/tonne)

	2016	2017	2018	2019	2020	2021
Wheat	2,360	2,360	2,300	2,240	2,240	2,260
Rice – early long-grain non-glutinous	2,660	2,600	2,400	2,400	2,420	..
Rice – late long-grain non-glutinous	2,760	2,720	2,520	2,520	2,540	..
Rice – round-grained non-glutinous	3,100	3,000	2,600	2,600	2,600	..

.. Not available.

Source Information provided by the authorities.

4.26. Grain reserves of maize, rice, soya beans, and wheat are maintained by the Central Government and local governments; according to the authorities, the reserves are used only to cope with major natural disasters or other emergencies.

4.1.2.4.3.3 Other measures

4.27. Under a subsidized agricultural insurance scheme, insurance premiums are subsidized by the Central Government and local governments, so that farmers pay only a balance of 20%-30% of the premium. The insurance scheme covers natural disasters such as rainstorms, floods, and droughts, but not income or levels of production. The distribution of financing between the Central Government and local governments varies by crop (Table 4.11). Data on total expenditures were not available.

Table 4.11 Distribution of the financing of the agricultural insurance scheme between central and local authorities

	Crops	Breeding	Non-commercial forestry	Commercial forestry	Tibetan varieties and natural rubber
Central Government	40% in central and western regions; 35% in the eastern region	50% in central and western regions; 40% in the eastern region	50%	30%	40%
Local governments	25%	30%	40%	25%	25%

Source: Information provided by the authorities.

4.28. The authorities indicate that all banks are allowed to provide financing to agricultural projects based on commercial conditions. Following on from efforts taken by the People's Bank of China (PBOC) to increase access to finance in rural areas as reported in China's previous Review, in April 2020, the PBOC cut the Required Reserve Ratio by 1 percentage point, with a cut of 0.5 percentage points on 15 April and again on 15 May, for rural credit cooperatives, rural cooperative banks, and village banks, as well as city commercial banks operating solely within provincial-level administrative regions.

4.1.2.4.4 Levels of support

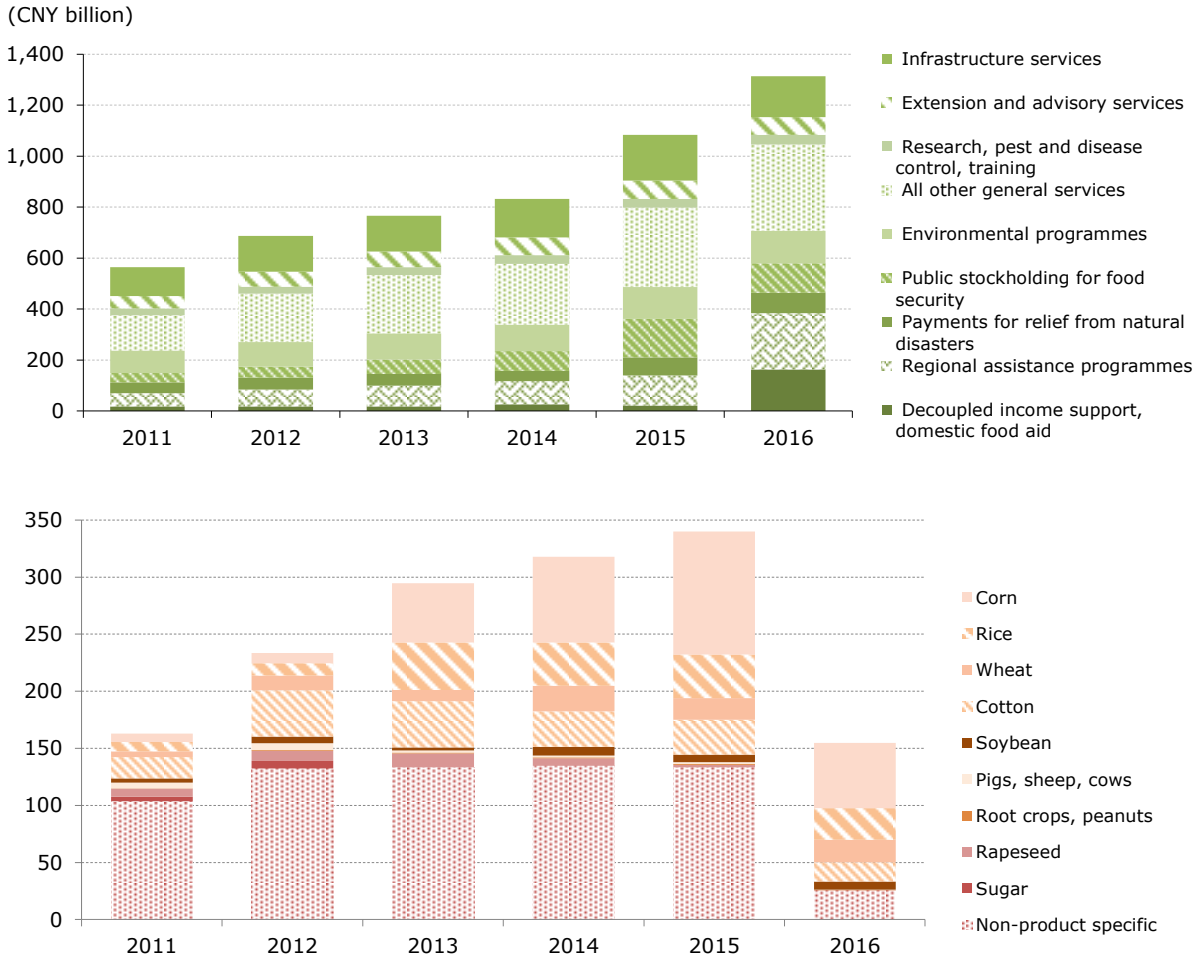
4.29. In December 2018, China notified its domestic support commitments for the calendar years 2011 to 2016.[25] These notifications show no support under the Blue Box (production limiting schemes) until 2016, when China notified corn producer subsidies paid, based on fixed area and yields. Support notified under the Green Box increased year-on-year. Support under the Amber Box (including *de minimis*) increased from 2011 to 2015 and then decreased significantly in 2016 (Chart 4.3).

4.30. The OECD continues to calculate estimates of support to agriculture in China that provide more up-to-date indicators over the review period (with data available up to 2019) than do China's support notifications to the WTO (which cover up to 2016). However, the authorities indicate that

[25] WTO documents G/AG/N/CHN/42-47, 14 December 2018.

OECD data do not reflect China's official position and that they could not confirm OECD estimates; they do not agree with the methodologies or data source of the estimation.

Chart 4.3 Green and Amber Box support, 2011-16



Source: WTO documents G/AG/N/CHN/42-47, 14 December 2018.

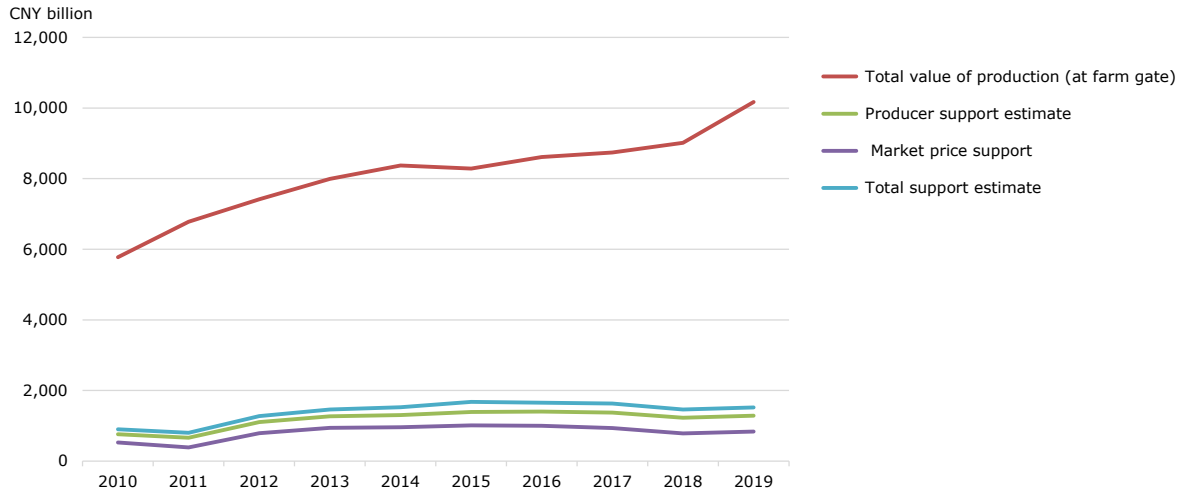
4.31. Compared with the WTO's methodology used to calculate the level of support provided under the Amber, Blue, and Green Boxes, the OECD's annual monitoring and evaluation reports on agricultural policies use a different methodology to calculate the value of support that is expressed in a number of indicators, including: (i) the Producer Support Estimate (PSE) for gross transfers from consumers and taxpayers to agricultural producers; (ii) the Total Support Estimate (TSE) for transfers to the agricultural sector in general; and (iii) the Single Commodity Transfers (SCT) for transfers to specific commodities. As noted in previous Reviews, the PSE represents the value of transfers to producers, unlike support under the Amber, Blue, and Green Boxes that measure compliance with WTO commitments. Therefore, the value of support as notified to the WTO is neither compatible nor comparable with the values calculated by the OECD.[26]

4.32. According to the OECD, total support to agriculture over the past decade peaked at CNY 2,676.7 billion in 2015, dropped to CNY 1,462.4 billion by 2018, and then picked up slightly in 2019. Most of the total support to agriculture is from market price support arising from tariff protection, government purchases, and other programmes (Chart 4.4). While domestic prices remain, in general, greater than import prices, the gap has closed for certain products like wheat and milk, which at the time of China's previous Review had high producer nominal protection coefficients (the ratio of the price received by the producers to the border price). For wheat, the

[26] OECD (2017), *Agricultural Policy Monitoring and Evaluation 2017,* OECD Publishing, Paris. Viewed at: http://dx.doi.org/10.1787/agr_pol-2017-en.

producer nominal protection coefficient was 1.82 in 2016 and decreased to 1.18 in 2019. For milk at its peak, the coefficient was 1.94 in 2016 and fell to 1.46 in 2019 (Table 4.12).

Chart 4.4 OECD measurement of support, 2010-19



Source: OECD, *Agricultural Policy Monitoring and Evaluation*. Viewed at: http://www.oecd.org/agriculture/topics/agricultural-policy-monitoring-and-evaluation/.

Table 4.12 OECD indicators for support to agriculture in China, 2010-19

(CNY billion, except nominal protection coefficient)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total value of production	5,776.7	6,775.9	7,413.0	7,993.3	8,372.8	8,285.5	8,612.1	8,742.1	9,015.0	10,166.9
TSE	902.3	804.1	1,273.0	1,461.4	1,523.7	1,676.7	1,653.8	1,633.4	1,462.4	1,521.8
PSE	762.2	659.6	1,102.4	1,269.1	1,302.3	1,391.9	1,403.0	1,374.6	1,225.3	1,284.8
MPS	529.3	388.4	788.0	939.5	961.4	1,013.7	999.0	937.9	783.0	834.8
Producer nominal protection coefficient	1.15	1.10	1.17	1.18	1.18	1.19	1.18	1.18	1.15	1.14
Wheat										
Value of production	230.0	246.6	265.4	291.5	309.5	308.9	297.5	313.2	294.9	300.0
SCT	64.9	35.2	79.7	83.6	105.0	111.2	134.1	111.5	71.9	46.2
MPS	64.9	35.2	79.7	83.6	105.0	111.2	134.1	111.5	71.9	46.2
Producer nominal protection coefficient	1.39	1.17	1.43	1.40	1.51	1.56	1.82	1.55	1.32	1.18
Maize										
Value of production	357.2	448.3	510.2	540.7	558.7	499.4	405.9	425.7	451.6	467.1
SCT	74.5	11.1	60.2	128.9	156.3	133.5	81.5	80.1	102.6	96.0
MPS	74.5	11.1	60.2	128.9	156.3	133.5	71.0	70.2	92.4	85.8
Producer nominal protection coefficient	1.26	1.03	1.13	1.31	1.39	1.36	1.21	1.20	1.26	1.22
Rice										
Value of production	462.0	540.8	564.0	555.9	580.8	574.8	566.5	586.3	549.1	523.5
SCT	-2.3	-56.3	162.1	176.3	185.2	204.8	165.5	157.6	59.5	34.1
MPS	-2.3	-56.3	162.1	176.3	185.2	204.8	165.5	157.6	59.5	34.1
Producer nominal protection coefficient	1.00	0.91	1.40	1.46	1.47	1.55	1.41	1.37	1.12	1.07

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Soya beans										
Value of production	55.9	57.8	60.9	54.0	51.0	41.0	43.7	53.3	55.5	63.1
SCT	10.1	7.3	4.7	3.8	2.7	11.0	11.2	17.3	16.1	19.1
MPS	10.1	7.3	4.7	3.8	2.7	7.7	5.2	4.5	3.4	6.3
Producer nominal protection coefficient	1.22	1.15	1.08	1.08	1.06	1.23	1.14	1.09	1.06	1.11
Milk										
Value of production	105.9	116.9	127.5	135.2	143.3	133.8	136.3	114.7	113.3	124.2
SCT	10.2	15.0	34.1	34.3	33.7	58.9	65.2	40.3	37.0	37.4
MPS	10.2	15.0	34.1	34.3	33.7	58.9	65.2	40.3	37.0	37.4
Producer nominal protection coefficient	1.12	1.15	1.38	1.36	1.33	1.82	1.94	1.55	1.52	1.46
Beef and veal										
Value of production	184.8	225.9	300.7	346.8	341.5	330.5	339.3	303.8	321.7	367.4
SCT	23.5	29.9	39.2	44.7	43.8	42.3	43.5	39.2	40.9	47.0
MPS	23.5	29.9	39.2	44.7	43.8	42.3	43.5	39.2	40.9	47.0
Producer nominal protection coefficient	1.16	1.16	1.16	1.16	1.16	1.16	1.16	1.16	1.16	1.16
Pig meat										
Value of production	783.0	1,149.7	1,061.7	1,082.4	1,018.3	1,125.8	1,311.0	1,095.7	941.9	1,116.2
SCT	93.8	157.4	117.7	110.4	99.3	123.8	152.3	122.9	99.3	132.7
MPS	93.8	157.4	117.7	110.4	99.3	123.8	152.3	122.9	99.3	132.7
Producer nominal protection coefficient	1.16	1.16	1.16	1.16	1.16	1.16	1.16	1.16	1.16	1.16
Poultry meat										
Value of production	326.6	364.0	347.9	368.2	370.0	361.3	365.9	399.2	476.9	577.3
SCT	41.4	52.5	44.5	43.8	46.1	46.3	50.5	61.0	69.8	86.1
MPS	41.4	52.5	44.5	43.8	46.1	46.3	50.5	61.0	69.8	86.1
Producer nominal protection coefficient	1.17	1.17	1.17	1.17	1.18	1.18	1.18	1.20	1.19	1.19

Source: OECD, *Agricultural Policy Monitoring and Evaluation*. Viewed at: http://www.oecd.org/agriculture/topics/agricultural-policy-monitoring-and-evaluation/.

4.1.3 Fisheries

4.1.3.1 Features and market developments

4.33. China is one of the world's largest fish-producing country. According to the UN Food and Agriculture Organization (FAO), it accounted for 35% of global fish production in 2018. In the same year, it accounted for around 15% of total global capture, and its share in world aquaculture production was 57.9%.[27]

4.34. During the period between 2015 and 2019, there was a downward trend in employment, the number of registered fishing vessels, and the marine catch. Aquaculture production remained relatively stable (Table 4.13).

4.35. During the same period, fish exports (WTO definition) accounted for between 0.8% and 1.0% of the value of its total exports. Imports of fish gradually increased from 0.4% to 0.7% of total imports over the same period (Table 4.14). Data provided by the authorities indicate that, in 2019, China imported 6.3 million tonnes of fish and exported 4.3 million tonnes. The simple average tariff on fish and fishery products (WTO definition) was 6.8% in 2021, with tariffs ranging from 0%-15%

[27] FAO (2020), *The State of the World Fisheries and Aquaculture 2020*. Viewed at: http://www.fao.org/3/ca9229en/online/ca9229en.html#chapter-1_1.

(Table A3.1). Export duties are levied on one tariff line for fish and crustaceans, namely live eels, fry (HS 0301.92.10) (Table 3.11).

Table 4.13 Fisheries indicators, 2015-19

	2015	2016	2017	2018	2019
Employment	9,045,338	8,795,228	8,692,042	8,514,503	8,253,274
Fishing vessels *(of which motorized fishing vessels)*	1,042,489 *(672,416)*	1,011,071 *(654,154)*	946,160 *(599,331)*	863,892 *(556,150)*	731,169 *(468,312)*
Marine catch ('000 tonnes) *(of which algae)*	17,617.476 *(26.177)*	17,588.591 *(24.311)*	15,393.376 *(20.349)*	14,665.968 *(18.349)*	14,012.888 *(17.445)*
Aquaculture production ('000 tonnes) *(of which algae)*	49,379.012 *(2,098.078)*	51,423.931 *(2,178.103)*	49,059.903 *(2,235.012)*	49,910.590 *(2,350.810)*	50,790.728 *(2,543.861)*

Note: The number of fishing vessels and the figures on the marine catch include China's distant water fleet and the catch on these vessels. Motorized fishing vessels include production fishing vessels and auxiliary fishing vessels, of which production fishing vessels include fishing vessels and culturing vessels. Fish catches include domestic marine fishing volume, pelagic fishing volume, and freshwater fishing volume. Aquaculture production includes mariculture output and freshwater aquaculture output.

Source: Information provided by the authorities.

Table 4.14 Fishery exports and imports, 2015-20

	2015	2016	2017	2018	2019	2020
Exports[a] (USD million)	19,802.4	20,205.2	20,601.7	21,740.3	20,163.0	18,589.4
% of total exports	0.9	1.0	0.9	0.9	0.8	0.7
Growth rate (%)	-6.0	2.0	2.0	5.5	-7.3	-7.8
Top five exports at HS 4-digit level (% of total):						
1604 Prepared/preserved fish; caviar and caviar substitutes	15.1	14.4	15.0	16.9	18.6	22.4
1605 Crustaceans, molluscs, etc., prepared/preserved	16.5	16.8	19.8	21.3	18.4	18.7
0304 Fish fillets and other fish meat, fresh, chilled or frozen	21.6	21.0	21.4	20.6	21.3	18.0
0307 Molluscs, live, fresh, chilled, frozen, salted or in brine	17.2	18.2	16.5	15.1	14.6	14.6
0303 Fish, frozen, excluding fish fillets and other fish meat of heading 0304	12.8	13.6	13.3	13.2	14.1	12.8
Imports[a] (USD million)	8,489.0	8,850.0	10,711.9	14,377.4	17,996.6	14,920.2
% of total imports	0.4	0.5	0.6	0.6	0.7	0.9
Growth rate (%)	-0.5	4.3	21.0	34.2	25.2	-17.1
Top five imports at HS 4-digit level (% of total):						
0306 Crustaceans, live, fresh, chilled, frozen, salted or in brine	21.9	24.0	23.5	30.4	39.0	39.6
0303 Fish, frozen, excluding fish fillets and other fish meat of heading 0304	36.3	36.6	34.7	31.7	27.4	26.3
230120[b] Flours, meals and pellets of fish or crustaceans /molluscs etc.	21.2	18.3	20.8	15.5	11.0	13.2
0307 Molluscs, live, fresh, chilled, frozen, salted or in brine	9.7	10.3	9.7	8.7	8.7	7.9
0304 Fish fillets and other fish meat, fresh, chilled or frozen	1.6	1.7	2.1	3.1	3.6	3.5

a WTO definition.
b Shown at HS 6-digit level since only the 6-digit level code 230120 under 2301 is a fishery item.

Note: Top five fishery exports and imports by HS 4-digit are sorted by the year 2020.

Source: WTO Secretariat calculations, based on trade figures from UN Comtrade database.

4.1.3.2 Legal, institutional, and policy framework

4.36. MARA leads the preparation of draft laws and regulations related to fisheries, develops departmental regulations, and guides fishery law development. Local governments are in charge of fisheries affairs in their respective administrative areas, including marine fisheries in contiguous sea

areas (unless the State Council designates otherwise). Official information was not provided on the presence of SOEs in the shipping sector.

4.37. The main law governing the fisheries sector is the 2005 Fisheries Law, last amended in 2013. A revision to the Fisheries Law was drafted and comments were solicited in 2019; as at April 2021, the draft law was being revised. The Rules for the Implementation of the Fisheries Law were amended in 2020, with changes relating to approval reequipments for constructing artificial reefs.[28] In 2018, MARA revised the Provisions on the Administration of Fishing Licences (MARA Decree No. 1, 2018[29]), and certain articles of these Provisions were further amended in 2020.[30] The objective was to strengthen the management of fishing vessels and fishing licences; protect fishery resources; adapt to the Government's requirement for decentralization, regulation, and service; and address problems such as illegal shipbuilding, inconsistent ship certificates, and off-site anchoring, which have made supervision difficult. Changes include bringing the method for classifying fishing vessels into conformity with international management rules; stipulating central and local entities responsible for examining, approving, and controlling vessels' catch quotas and net devices used; and stipulating the sea areas where the different-sized vessels may fish in. The Provisions also include specific guidance on fishing log contents, submission methods, and punitive measures for violations. According to the authorities, first steps are being taken to introduce a total allowable catch system. However, further details were not provided.

4.38. Under the Fisheries Law, foreigners and foreign fishing vessels engaging in fishery production in waters under China's jurisdiction must be approved by MARA. If the vessels belong to China's trading partners that have signed relevant treaties/agreements with China, the matters are handled in accordance with these treaties.[31] The Special Administrative Measures for the Access of Foreign Investment in the Pilot Free Trade Zones (2019) (FTA Negative List) lifted restrictions on foreign investment in aquatic product fishing in seas and inland waters under China's jurisdiction. The authorities indicate that the Government currently imposes no restrictions on FDI in aquaculture production.

4.39. The main government strategy for the fishing sector implemented during the review period was the 13th Five-Year Plan on Fishery Development (2016-20).[32] The Plan sought to tackle some of the main challenges facing the sector, including infrastructure weaknesses and old fishing vessels, and requirements in the areas of fisheries insurance and the development of a legal framework for fisheries and its enforcement. The Plan's basic principles are to: (i) adhere to ecology as a priority and promote green development, with a shift in focus from quantity growth to improving quality and efficiency; (ii) promote innovation and scientific development; (iii) implement a "going out" strategy involving, *inter alia*, the orderly development of deep-sea fisheries, improvements to the industrial chain, and strengthening of bilateral and multilateral fishery cooperation; (iv) adhere to people-oriented development so those who are engaged in fishing are participants in and benefit from fishery modernization; and (v) strengthen the rule of law in the sector, through improved laws, regulations, and enforcement mechanisms. One of the elements of the Plan is to increase public financial investment in the fisheries sector to, *inter alia*, establish a policy support system that is conducive to the development of modern fisheries. Elements include reform and improvement of the fishery oil price subsidy and a focus on supporting the reduction in the number of boats, the renovation and transformation of fishing vessels, the construction of artificial reefs, the maintenance and transformation of fishing ports, the standardization of ponds, the further development of factory-based aquaculture, and subsidies for banned fishing.[33] The Plan also stipulates the continued implementation of support policies for: (i) multiplying and releasing healthy aquaculture breeding stock; (ii) ensuring special funds for fishery administration, resource investigation[34], species

[28] Rules for the Implementation of the Fisheries Law (2020), amended through State Council Decree No. 726. Viewed at: http://www.gov.cn/zhengce/2020-12/25/content_5574001.htm.

[29] MARA Decree No. 1, 2018. Viewed at: http://www.yyj.moa.gov.cn/bjwj/201904/t20190419_6197470.htm.

[30] MARA Order No. 5, 2020. Viewed at: http://www.moa.gov.cn/nybgb/2020/202008/202010/t20201020_6354689.htm.

[31] Fisheries Law, Article 8.

[32] MARA, China's 13th Five-Year Plan on Fishery Development. Viewed at: http://www.moa.gov.cn/nybgb/2017/derq/201712/t20171227_6131208.htm.

[33] Subsidies for banned fishing refer to the livelihood subsidy for fishermen and -women affected by fishing moratoria and fishing bans.

[34] Resource investigation refers to the investigation of the reproduction, growth, death, migration, distribution, quantity, habitat, prospects, and means of exploitation of individuals or groups of aquatic animals.

resource protection, disease prevention and control, quality and safety supervision, fishing port supervision, safety production supervision, and fishing vessel inspection supervision; (iii) increasing aquatic breeding, disease prevention, resource conservation, fishery equipment, and other technological innovations and promotion support. The fisheries sector objectives in the 14th Five-Year Plan for Economic and Social Development include: achieving a breakthrough in a number of key core technologies in areas such as marine engineering, marine resources, and marine environment; cultivating and expanding marine engineering equipment and marine biomedicine industries; optimizing offshore green breeding and building marine pastures; building a number of marine economic development demonstration zones and characteristic marine industrial clusters; and improving the development of the three major marine economic circles in the north, east, and south.

4.1.3.3 Government support to the fisheries sector

4.40. Support to the sector is provided by both the Central Government and local/provincial governments. China's latest notification to the WTO covers the period 2017-18 and contains six incentives/support programmes at the Central Government level; these relate to fuel subsidies and supporting fish processing, enhancing fish stocks, supporting aquatic breed improving farms, preventing aquatic animal disease, and scrapping and renovating fishing vessels (Table A4.1). According to the authorities, the Government will shortly issue a new policy to terminate fuel and boat construction subsidies, with the last of these pay-outs being made at end-2020.

4.41. Twenty-three programmes over the period 2017-18 were notified to the WTO regarding measures in place in the coastal provinces of Hebei, Jilin, Jiangsu, Zhejiang, Fujian, Shandong, Guangdong, and Liaoning. These included support for marine economic development, marine and fishery structural adjustment, aquatic breeding, supporting fishermen during the closed season, fishery insurance, fishery management and industry development, fishing vessel standardization and scrapping, processing, aquaculture, and distant water fisheries (Table A4.1). Pending China's new notification to the SCM Committee, information was not available on any new support/incentive schemes introduced at the local government level from the beginning of 2019. The authorities indicate that the notification is being prepared.

4.42. The authorities note that fisheries insurance has not been incorporated in the policy-based agricultural insurance.

4.1.3.4 Fisheries conservation measures

4.43. China is a major player in the distant water fisheries segment. As indicated by the FAO, China reported about 2.26 million tonnes from its "distant water fishery" in 2018; however, this is considered to be an underestimate, as the report provided details on species and fishing areas only for catches marketed in China (about 40% of the total of distant water catches).[35] The authorities indicate that China has taken measures recently to strengthen monitoring and control of fishing vessels, enhance its international compliance capability, fulfil its international obligations to conserve high-seas fishery resources, and prevent illegal, unreported, and unregulated (IUU) fishing activities (Box 4.1). They also indicate that China has undertaken investigations into various kinds of illegal fishing activities, and punished illegal enterprises and fishing vessels in accordance with the law. According to the authorities, between January 2018 and early 2021, the Government imposed different levels of penalties on 84 deep-sea fishing vessels belonging to 51 enterprises.

4.44. China has acceded to various international conventions or agreements related to fisheries.[36] During the review period, China became a signatory to the Southern Indian Ocean Fisheries

[35] FAO (2020), *The State of the World Fisheries and Aquaculture 2020*. Viewed at: http://www.fao.org/3/ca9229en/online/ca9229en.html#chapter-1_1.

[36] These conventions/agreements include: (i) the International Convention for the Conservation of Atlantic Tunas (ICCAT); (ii) the Agreement for the Establishment of the Indian Ocean Tuna Commission (IOTC); (iii) the Convention on the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean (WCPFC); (iv) the Inter-American Tropical Tuna Commission Convention for the Strengthening of the Inter-American Tropical Tuna Commission Established by the 1949 Convention between the United States of America and the Republic of Costa Rica "Antigua Convention" (IATTC); (v) the Convention for the Conservation of Antarctic Marine Living Resources (CCAMLR); (vi) the Convention on the Conservation and Management of High Seas Fishery Resources in the South Pacific Ocean (SPRFMO); (vii) the Convention on the Conservation and Management of High Seas Fisheries Resources in the North Pacific Ocean (NPFC); and (viii) the International Convention for the Regulation of Whaling.

Agreement in October 2019. China has not acceded to the FAO's Port State Measures Agreement; the authorities state that they are studying this possibility and that the Government has included the list of IUU fishing vessels released by the acceding regional fisheries organizations into the controlling scope of Chinese ports. They note that China prohibits fishing vessels on the list from entering Chinese ports; refuses such fishing vessels to refuel, resupply, or repair in Chinese ports; and refuses the catches carried by such fishing vessels to be unloaded, transhipped, packed, or processed in Chinese ports.

Box 4.1 Fisheries conservation measures, 2018-20

1. January 2019 – Notice on Further Strictly Adhering to International Tuna Management Measures issued by MARA. Objective: to implement resource conservation and management measures adopted by the International Tuna Conservation Organization.
2. January 2019 – List of IUU fishing vessels approved by relevant regional fishery organizations provided by MARA and Ministry of Foreign Affairs, the Ministry of Communications, the General Administration of Customs (GACC), and other domestic departments and commercial and fishing ports. Objectives: to implement Port State Measures and tackle illegal fishing activities. This list was updated in June 2020.
3. August 2019 – Measures for the Monitoring and Management of Positions of Ocean Fishing Vessels revised by MARA. Objective: to strengthen supervision of ocean fishing vessels by increasing the frequency of reporting positions of fishing vessels from every 4 hours to every hour.
4. November 2019 – Notice on Trial Implementation of Performance Evaluation of Pelagic Fishery Enterprises issued by MARA. Objectives: to establish a performance evaluation system for pelagic fisheries to strengthen fishery management and improve performance capability of pelagic fishery enterprises.
5. April 2020 – Revised Regulations on the Management of Pelagic Fishery implemented. Objectives: to strengthen supervision and management, and sustainable utilization of fishery resources; and to prevent IUU fishing activities.
6. May 2020 – Notice on Strengthening the Management of High-Seas Transfer of Pelagic Fisheries issued by MARA. Objectives: to further standardize high-seas transfer activities and promote scientific conservation of high-seas fishery resources.
7. July 2020 – Government implementation of a fishing moratorium on high-seas squid fisheries and take all-around management measures to protect high-seas squid resources and spawning population. Objective: to strengthen conservation of high-seas squid resources.

Source: Information provided by the authorities.

4.2 Mining and Energy

4.2.1 Mining

4.45. China has an abundance and a large variety of mineral resources. By end-2018, 173 kinds of minerals had been discovered, including 13 kinds of energy minerals, 59 kinds of metal minerals, 95 kinds of non-metal minerals, and 6 kinds of water and gas minerals.[37] The main mining production is described in Table 4.15.

Table 4.15 Main mining production, 2017-19

Mineral products	2017	2018	2019
Crude oil (million tonnes)	192	189	191
Natural gas (billion m^3)	133.0	141.5	150.9
Shale gas (billion m^3)	9.0	10.9	15.4
Coal (billion tonnes)	2.78	3.04	3.13
Ferrous metals (billion tonnes)	0.575	0.591	0.624
of which iron ore (billion tonnes)	0.567	0.583	0.613
Non-ferrous metal (million tonnes)	327.69	361.70	376.13
Precious metal (million tonnes)	94.09	91.41	88.67
Rare elements, rare earth elements and scattered elements (million tonnes)	12.98	42.70	34.91
Metallurgical auxiliary materials (e.g. cannonite) (million tonnes)	111.49	127.80	142.55
Chemical materials (million tonnes)	276.26	269.49	296.40
Construction materials and other non-metal mineral (billion tonnes)	3.90	4.08	4.45
Underground water and mineral water (million tonnes)	12.06	12.87	12.80

Source: Information provided by the authorities.

[37] MNR (2019), *China Mineral Resources*. Viewed at: http://www.chinaminingtj.org/images/document/2019/CM_Resources_2019_en.pdf.

4.46. The legal framework for mining did not change substantially during the review period. To a large extent, mining activities continue to be regulated under the Mineral Resources Law (promulgated in March 1986, and revised in August 1996 and August 2009) and a large body of implementing measures: the Rules for the Implementation of the Mineral Resources Law (State Council Decree No. 152, 26 March 1994); the Regulations for Registering to Explore for Mineral Resources Using the Block System (State Council Decree No. 240, 12 February 1998; amended on 29 July 2014); the Procedures for Administration of Registration of Mining of Mineral Resources (State Council Decree No. 241, 12 February 1998, amended on 29 July 2014); and the Measures for the Administration of Transfer of Mineral Exploration Right and Mining Right (State Council Decree No. 242, 12 February 1998, amended on 29 July 2014). Other regulations in the sector include the Regulation on the Exploitation of Continental Petroleum Resources in Cooperation with Foreign Enterprises (State Council Decree No. 131, 7 October 1993, amended on 18 July 2013) and the Regulations on the Exploitation of Offshore Petroleum Resources in Cooperation with Foreign Enterprises (amended on 18 July 2013). The Law on the Exploration and Development of Resources in Deep Seabed Areas (adopted on 26 February 2016 and entered into force on 1 May 2016) regulates the exploration and exploitation of deep seabed resources. A Resource Tax Law was adopted in 2019.

4.47. The Ministry of Natural Resources (MNR) was established in 2018. Its area of competence consolidates the responsibilities of the former Ministry of Land and Resources and those of the National Administration of Surveying, Mapping and Geoinformation.

4.48. China continued to liberalize its mining sector during the review period. For example, the 2019 National Negative List and Pilot Free Trade Zones (PFTZs) Negative List removed foreign investment prohibitions on the exploration or mining of molybdenum, tin, antimony, and fluorite. In the 2018 PFTZ Negative List, the measure that oil and natural gas exploration and development shall be restricted to equity joint ventures or contractual joint ventures was abolished, and the same measure was abolished nationally in 2019. No modification pertaining to mining was made to the 2020 editions of National and PFTZ Negative Lists. The only foreign investment limitation in mining consists of prohibition of foreign investment in the exploration, exploitation, and processing of rare earths, radioactive minerals, and tungsten.

4.49. The Constitution proclaims state ownership of all minerals. However, the Government may transfer to a qualified holder the right to possess, use, and benefit from the mineral resources. The Civil Code protects the exploration and mining rights obtained according to the law. Methods and processes for obtaining mining rights did not change substantially during the review period.[38] Mining rights can be acquired through tender, auction, or listing, or agreements in limited cases. Subject to the Negative List for the Access of Foreign Investments (Table 4.16), China allows foreign companies and individuals to invest in exploration and exploitation of the mineral resources within its territory and sea areas under its jurisdiction. They operate in the exploration and exploitation of minerals under the same condition as their domestic counterparts.

4.50. Steps were taken in the recent years to reform administrative procedures with respect to mining rights allocation. In 2017, the Ministry of Land and Resources issued four normative documents[39] aiming to, *inter alia*: (i) improve the approval, registration, and management system of mineral exploration and mining rights; and (ii) streamline the mineral rights application process.[40] Along the same lines, efforts were made by the authorities to encourage allocation of mining rights through competitive procedures. In fact, the Opinion of the MNR on Several Matters Concerning Promoting the Reform of Mineral Resources Administration (for Trial Implementation) (published on 31 December 2019), in line with the Overall Programme for the Reform of the Ecological Civilisation System (published on 21 September 2016), seeks to abolish the application for prior distribution of mineral resources, reduce the proportion of mineral resources allocated through agreements, and promote the competitive allocation of mineral resources. While the Opinion requires the competent authorities to implement tender, auction, and listing methods to grant mineral rights, it imposes strict restrictions on the granting of mineral rights via agreements. At the same time, it stipulates

[38] WTO document WT/TPR/S/375/Rev.1, 14 September 2018.

[39] These documents are: (i) Mineral Rights Transfer Rules; (ii) Notice on Further Standardizing Approval, Registration and Management of Mineral Resources Exploration; (iii) Notice on Further Standardizing Mineral Rights Application Materials; and (iv) Notice on Improving Issues Related to Approval, Registration and Management of Mineral Resources Exploitation.

[40] MNR (2018), *China Mineral Resources*. Viewed at: https://www.gov.cn/xinwen/2018-10/22/5333589/files/01d0517b9d6c430bbb927ea5e48641b4.pdf.

that the exploration rights and mining rights for key construction projects approved by the State Council, or projects related to exploration and exploitation of rare earths and radioactive minerals, may be granted by the agency in charge of natural resources through agreements.

Table 4.16 Mining industry foreign investment regime, 2017 and 2020

	2017	2020
Encouraged	Exploration and exploitation of oil and natural gas as well as utilization of mine gas (limited to Chinese-foreign equity or contractual joint ventures)	Exploration and exploitation of oil and natural gas, as well as utilization of mine gas
	Improvement in enhanced oil recovery (in the form of engineering services), as well as development and application of related new technologies	Same as in 2017
	Development and application of new technologies for oil exploration and exploitation in areas such as geophysical prospecting, drilling, well logging, mud logging, and down-hole operation	Same as in 2017
	Development and application of new technologies for enhancing utilization rate of mine tailings and the comprehensive application of ecological restoration technology in mining areas	Same as in 2017
	Exploration and exploitation of mines in short supply in China (such as mines of sylvite and chromite) and mineral separation	Same as in 2017
Restricted	Exploration and exploitation of oil and natural gas (including coal-bed gas and excluding oil shale, oil sand, shale gas, etc.) (limited to Chinese-foreign equity or contractual joint ventures)	Not listed
	Exploration and exploitation of special and rare kinds of coal (with Chinese party as the controlling shareholder)	Not listed
	Exploration and exploitation of graphite	Not listed
	Smelting and separation of rare earths (limited to Chinese-foreign equity or contractual joint ventures); smelting of tungsten	Not listed
Prohibited	Exploration and exploitation of tungsten, molybdenum, tin, stibium, and fluorite Exploration, exploitation, and ore dressing of tungsten	Not listed
	Exploration, exploitation, and ore dressing of rare earths	Same as in 2017
	Exploration, exploitation, ore dressing, and smelting of radioactive minerals	Exploration, exploitation and ore dressing of radioactive minerals

Source: MOFCOM and the NDRC, *Catalogue for the Guidance of Foreign Investment Industries 2017*, *Catalogue of Encouraged Industries for Foreign Investment* (2020 edition), *Special Administrative Measures on Access to Foreign Investment* (2020 edition); and 2020 National Negative List.

4.51. According to the authorities, in 2018 alone, 1,248 mining rights were granted, of which 772 were allocated through competitive procedures, 55 through agreements, and the remainder through automatic allocation to the holders of the related exploration rights. Three hundred sixty exploration rights were granted, of which 175 were funded by the Government, 90 were granted through competitive procedures, 37 were filed through prior applications, and 58 were granted through agreements.

4.52. Some specific measures were adopted to further standardize and strengthen the approval management of rare earth and tungsten exploration and mining. On 14 December 2018, the MNR issued the Notice on Further Regulating the Approval Administration of Mineral Rights on Rare Earths and Tungsten, which stipulates, *inter alia*, the continued suspension of the acceptance of new applications for rare earth exploration and mining registration; and the establishment, renewal, change of registration, transfer, reservation, and termination of rare earth and tungsten exploration and mining rights. The Notice also specifies the principle for determining the total production quotas of rare earths and tungsten, and the distribution of annual production quotas in various provinces.

4.53. The Mineral Resources Law stipulates that mining rights allocation is subject to fixed charges. Therefore, in April 2017, the State Council issued the Reform Plan for Mineral Royalty System (Guo Fa No. 29, 2017) to protect the nation's mineral interests and create a fair mineral market

environment.[41] It provides that mineral rights holders must pay the following fees to the competent authorities: (i) the mineral rights grant proceeds for obtaining such mineral rights; (ii) the mineral rights occupancy fee (i.e. the rental fee that mineral rights holders must pay each year, which is determined according to block size); and (iii) the resource tax for the sale of mineral products. In line with the State Council's reform plan, in June 2017, the Ministry of Finance and the former Ministry of Land and Resources issued the Interim Measures for Administrating the Collection of Proceeds from Granting Mineral Rights (Cai Zong No. 35, 2017). The Measures stipulate that the proceeds from granting mineral rights represent the rights and interests of state owners; it also clarifies specific regulations on the collection of such proceeds.

4.54. With respect to taxation, on 26 August 2019, the National People's Congress adopted the Resource Tax Law, which entered into force on 1 September 2020. It replaces the Provisional Regulations on Resource Tax of 25 December 1993 (amended on 30 September 2011 and implemented from 1 November 2011). Among the taxable resources specified by the Law (Tables A4.3 and A4.4), some resources, including crude oil, natural gas, and shale gas, are subject to single rates that are applicable nationwide. For those resources with the range of rates specified, the Law grants provincial-level governments the power to propose the actual rates to be applied. The new law introduces unified tax items, clarifies the authorization for determining tax rates, and standardizes tax reduction and exemption policies.[42]

4.55. Regarding trade in mineral resources, according to the Catalogue of Commodities Subject to the Administration of Export Licences for 2020, exports of certain mineral products, including coal and oil (excluding lubricating oil), are subject to an export quota and an export licence, while exports of rare earth minerals, tin and tin products, tungsten and tungsten products, molybdenum and molybdenum products, antimony and antimony products, indium and indium products, coke, lubricating oil, and fluorite are subject to an export licence.

4.2.2 Energy

4.2.2.1 Overview including environmental policy

4.56. China is the world's largest energy producer and consumer. In 2019, its total primary energy production was 3.97 billion tonnes of standard coal equivalents (SCEs). The energy self-sufficiency rate was 78.5%. China's energy consumption structure continued to change during the review period, as the proportion of coal declined, accounting for 57.7% of the total energy consumption, down from 63.8% in 2015. Petroleum accounts for 18.9%, natural gas accounts for 8.1%, and primary electricity and other energy such as hydropower, nuclear power, and wind power account for 15.3%.[43]

4.57. Charts 4.5 and 4.6 describe the evolution of the energy mix of the total primary supply of energy, and its consumption by type of users.

4.58. The National Energy Commission (NEC), headed by the Premier of the State Council, acts as the coordinating and consultation body responsible for drafting the national energy strategy, and reviews key issues associated with national energy security and development. The National Energy Administration (NEA) is administered by the NDRC. The NEA is responsible for formulating and implementing energy development strategies, plans, and policies; makes recommendations on institutional reforms in the energy sector; and performs executive functions as the regulator and as the general office of the NEC.[44]

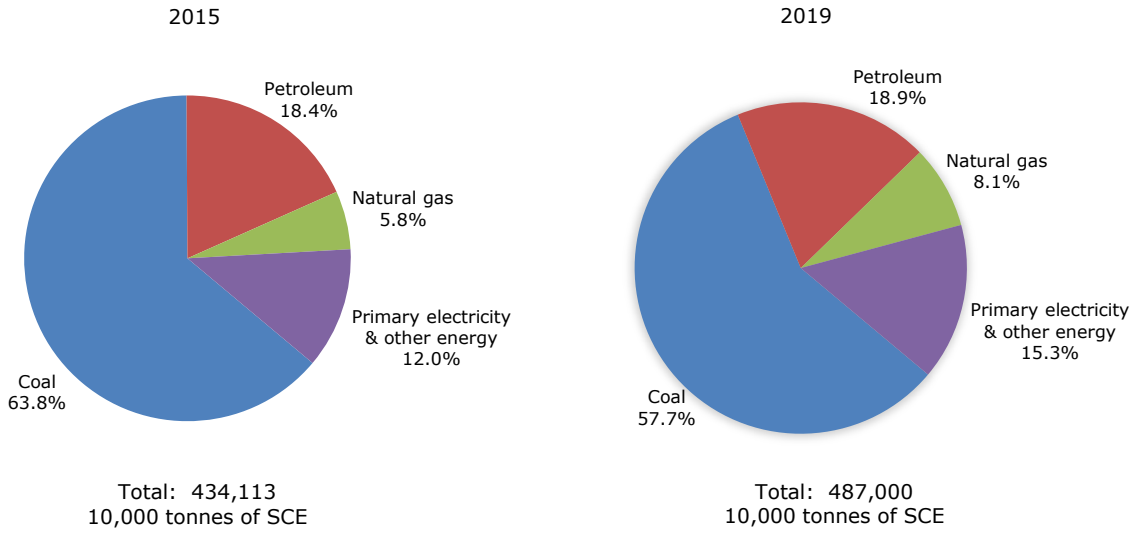
[41] State Council, *State Council to Reform Mineral Resource Equity Benefit System*, 20 April 2017. Viewed at: http://english.www.gov.cn/policies/latest_releases/2017/04/20/content_281475632183056.htm.

[42] State Council, *China's Resource Tax Law to Take Effect on Sept 1*, 1 September 2020. Viewed at: http://english.www.gov.cn/statecouncil/ministries/202009/01/content_WS5f4d96dec6d0f7257693b5fc.html.

[43] MNR (2020), *China Mineral Resources*. Viewed at: http://www.mnr.gov.cn/sj/sjfw/kc_19263/zgkczybg/202010/P020201022612392451059.pdf.

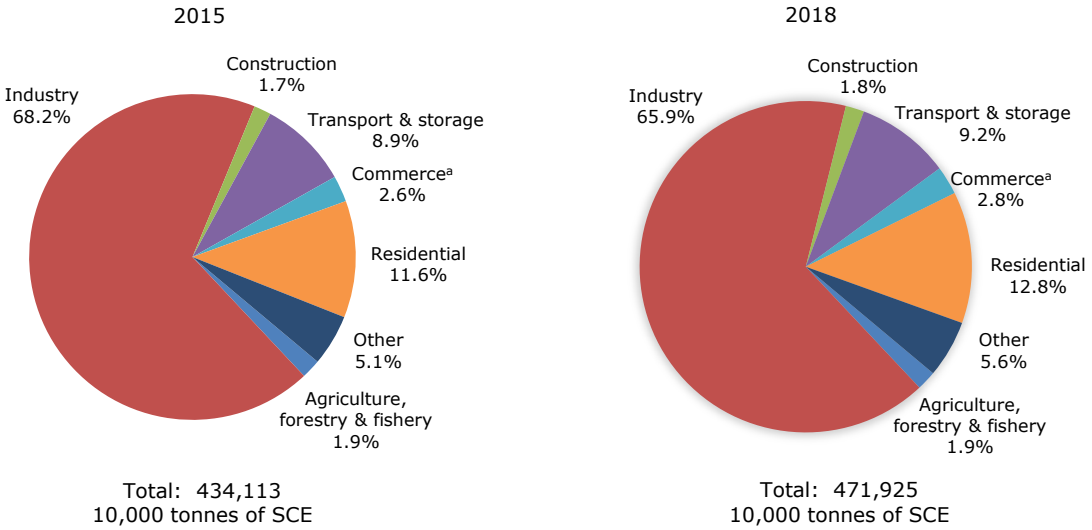
[44] In principle, the NEA has a broad mandate over the whole energy sector, i.e. coal, oil, gas, electricity (including nuclear power), new energy, and renewable energy (including hydropower). The NEA is also the regulator of the oil refinery, coal fuel, and fuel ethanol industries. Petrochemical and coal chemical industries that are not under the jurisdiction of the NEA are regulated by the MIIT.

Chart 4.5 Total consumption of energy and its composition, 2015 and 2019



Source: Data provided by the authorities.

Chart 4.6 Total energy consumption by sector, 2015 and 2018



a Commerce refers to wholesale and retail trade, and hotels and catering.

Source: National Bureau of Statistics. *Statistical Yearbook 2020*.

4.59. The authorities indicate that a new Energy Law is currently being drafted.

4.60. The authorities state that China regards the development of clean and low-carbon energy as the main direction for adjusting the energy mix. China intends to gradually reduce its proportion of coal consumption, increase its proportion of non-fossil energy consumption, reduce carbon dioxide and pollutant emission levels, and optimize the distribution of energy production. The country is actively pursuing a policy of decoupling of economic growth and energy consumption, through increased energy efficiency. In the context of the 13th Five-Year Plan for Economic and Social Development (2016-20), the national objective for the reduction of energy consumption per unit of GDP is 15%, and intermediary objectives are set on an annual basis. In 2015, energy consumption per unit of GDP dropped by 5.3%, surpassing the objective of 3.1%, and in 2016 it dropped by 4.8% (objective of 3.4%). The authorities indicated that the energy consumption per unit of GDP dropped by 3.5% in 2017, 3% in 2018, and 2.5% in 2019.

4.61. The 13th Five-Year Plan for Energy Development represents the basic outline of China's energy policy for 2016-20.[45] It aims to optimize China's energy system, promote energy product and consumption reform, and build a clean, decarbonized, safe, and efficient modern energy system. Along the same lines, Five-Year Plans have been launched for energy subcategories such as electricity, coal, natural gas, renewable energy, and energy technology.

4.62. The broader objectives set for green and low-carbon energy development in the 13th Five-Year Plan for Energy Development include that by 2020: (i) the proportion of non-fossil energies in total energy consumption should be over 15%; and (ii) the carbon dioxide emission per unit of GDP should decrease by 18% compared with that in 2005. In the context of this Review, the authorities state that at the 75th United Nations General Assembly in September 2020, China pledged that it would strive to have carbon dioxide emissions peak by 2030 and to achieve carbon neutrality by 2060. Furthermore, China announced that the carbon dioxide emission per unit of GDP should decrease by 65% compared with the level of 2005, and the proportion of non-fossil energy consumption should reach about 25%. According to the authorities, as at 2019, non-fossil energy and natural gas accounted for 15.3% and 8.1%, respectively, of total energy consumption.

4.63. In December 2017, China launched the construction plan for the National Carbon Emission Right Trading Market (Power Generation Industry) to start building its National Carbon Emission Trading System. According to the plan, the power generation industry will be the first to carry out transactions on the national carbon market, which will be gradually expanded to other industries. In 2018, the work of responding to climate change was adjusted and incorporated into the mandates of the newly formed Ministry of Ecology and Environment.

4.64. In December 2020, China issued the Regulations on Carbon Emission Trading (Trial) and the Implementation Plan on National Carbon Emission Trading Quota Determination and Distribution for 2019-2020 (Power Generation Industry). The Regulations provided a list of key emission units in the power generation industry that are included in the quota management, as well as the specific requirements for quota allocation and compliance, and officially launched the first compliance cycle of the national carbon market.

4.65. Other measures regarding the promotion of clean energy included the Notice on Establishing and Improving the Safeguard Mechanism of Renewable Energy Power Consumption, which was jointly adopted on 10 May 2019 by the NEA and the NDRC. It provides a general framework for, *inter alia*, setting renewable electricity consumption quotas as a share of total power consumption in each province, defining quota setting methods, and monitoring quota trading.[46] The authorities note that a number of periodic monitoring and evaluation reports have been issued to guide provincial authorities in formulating their local renewable energy power consumption plans. The same efforts will continue in 2021, as the authorities are calculating the 2021 consumption quota, according to the broad national objective of achieving carbon neutrality by 2060.

4.66. On 1 January 2018, China implemented a new environmental tax policy aimed at promoting environmental protection and reducing pollution.

4.67. Subject to the Negative List for the Access of Foreign Investments, China allows foreign investment in the energy sector. Since 2018, in terms of foreign investment access in the oil and natural gas field, restrictions on the exploration and development of oil and natural gas (except for oil shale, oil sands, and shale gas) have been removed, including those requirements that such investment projects must be joint ventures and cooperatives and that the construction and operation of gas pipeline networks in cities with a population of more than 500,000 must be controlled by Chinese shareholders.

4.2.2.2 Coal

4.68. Coal, an abundant and relatively cheap resource in China, continues to represent a large part of the country's primary energy, and it is also the main cause of air pollution. Its share in national energy consumption was 57.7% in 2019 (down from 63.8% in 2015). China's coal production ranks

[45] The 13th Five-Year Plan for Energy Development targets are aligned with objectives of the 13th Five-Year Plan for Economic and Social Development.

[46] NEA. Viewed at: http://zfxxgk.nea.gov.cn/auto87/201905/t20190515_3662.htm.

first in the world, reaching 3.85 billion tonnes in 2019. Newly discovered reserves of coal amounted to 30.01 billion tonnes, which brough the total to 1,738.58 billion tonnes.[47]

4.69. The authorities note that, in recent years, China implemented policy measures to strictly control the new capacity of coal-fired power. In 2019, China's coal-fired power installed capacity stood at 1.04 TW. Its growth rate dropped by 30% on average over the period 2016-20 compared with the period 2011-15. The proportions of installed capacity and power generation of coal-fired power have been declining steadily year-on-year. Between 2018 and 2019, over 20 GW of coal-fired power units were shut down. The authorities also note that China's new power demand in recent years was mainly supplied through renewable energy.

4.2.2.3 Oil

4.70. In 2019, newly discovered geological reserves of oil were 1.12 billion tonnes, of which, the increased proven technical recoverable reserves were 160 million tonnes. Crude oil production was 191 million tonnes, while consumption stood at 670 million tonnes.

4.71. The government policy on oil is defined in the 13th Five-Year Plan for Energy Development (2016-20). The Plan aims to increase crude oil reserves and the recovery efficiency of traditional oil fields, as well as speed up the development of shale oil and extend the corresponding pipeline network for crude oil and refined products. The exploration and development of oil is listed among encouraged industries nationwide.

4.72. To implement the recommendations of the Several Opinions on Deepening Oil and Gas System Reform, the MNR issued the Opinions on Promoting the Reform of Mineral Resources Management (Trial) on 31 December 2019. Among the several reform steps promoted by the Opinions, domestic and foreign enterprises that are registered in China, and have a minimum net asset of CNY 300 million, are entitled to obtain mining rights of oil and gas. The Opinions state that the validity period of a prospecting right may be extended to five years at the time of initial registration, and each extension shall be five years.[48] The regulation also unifies the exploration right and mining right of oil and gas. Under the Opinions, oil and gas exploration right owners who make a recoverable discovery should sign the mining right grant contract within five years.

4.73. The Special Administrative Measures on Access of Foreign Investment (National Negative List) (2019) abolished the requirement that exploration and development of oil and natural gas (except for those including coal-bed methane, oil shale, oil sands, and shale gas) are limited to Chinese-foreign equity.

4.74. Enterprises are allowed to determine their own oil prices based on the supply and demand in the market, on the premise of not exceeding the "ceiling price" decided by the NDRC. The pricing mechanism allows the NDRC to adjust the guided price when the moving average of prices over 22 consecutive trading days fluctuates more than 4% in the international oil markets.[49] The latest pricing mechanism was released in 2016.

4.75. The authorities indicate that China has not released any law or regulation on enterprises' compulsory oil reserve and does not require that oil companies must engage in oil reserve.

4.76. Over the last three years (2018-20), the Kingdom of Saudi Arabia, the Russian Federation, Iraq, Angola, Brazil, and Oman remained the top oil exporters to China. In 2020, the share of Norway and the State of Kuwait in China's imports of oil increased substantially, while the share of the Islamic Republic of Iran remained on a significant decreasing trend (Table 4.17).

4.77. In 2020, China processed 670 million tonnes of crude oil. Foreign investors can participate in refining projects and are not subject to limitations in terms of legal forms.

[47] MNR (2020), *China Mineral Resources.* Viewed at: http://www.mnr.gov.cn/sj/sjfw/kc_19263/zgkczybg/202010/P020201022612392451059.pdf.

[48] Twenty-five per cent of the block area shall be deducted for each extension to urge mineral right holders to accelerate exploration.

[49] Interim Administration Measures for Oil Prices (Fa Gai Jia Ge No. 1198, 2009).

Table 4.17 China's key trading partners for oil imports, 2018-20

('000 tonnes)

	2018	2019	2020
World	461,907.9	505,890.3	542,385.5
Saudi Arabia, Kingdom of	56,733.9	83,322.3	84,923.0
Russian Federation	71,494.4	77,664.9	83,572.3
Iraq	45,044.5	51,799.0	60,117.5
Brazil	31,622.2	40,156.6	42,189.9
Angola	47,387.6	47,368.5	41,785.1
Oman	32,909.8	33,871.7	37,838.3
Kuwait, State of	12,199.2	15,294.0	31,168.1
United Arab Emirates	23,212.4	22,688.3	27,496.9
United States	12,281.3	6,349.5	19,760.3
Norway	895.1	1,018.2	12,712.8
Malaysia	8,882.7	12,046.6	12,529.0
Colombia	10,768.5	13,121.0	12,383.1
Congo	12,580.5	11,960.5	9,246.0
Qatar	1,347.7	858.3	6,200.4
United Kingdom	7,725.5	12,556.7	5,894.2
Gabon	3,624.9	7,022.4	5,853.5
Ecuador	1,872.4	2,050.4	4,712.6
Ghana	3,356.0	3,595.8	4,112.5
Nigeria	464.7	2,437.3	3,934.3
Iran, Islamic Republic of	29,272.7	14,769.4	3,917.7

Note: Top 20 import partners are sorted by the year 2020.

Source: WTO Secretariat calculations, based on UN Comtrade database.

4.78. Distribution of gasoline/petrol is mostly operated by the China National Petroleum Corporation (CNPC) and the China Petroleum and Chemical Corporation (SINOPEC). Foreign investors can participate in the retail distribution sector, as China has lifted restrictions on foreign investment in the construction and operation of petrol stations. The authorities indicate that a number of multinational corporations have entered the Chinese petrol station operation market.

4.2.2.4 Gas

4.79. In 2019, China's natural gas production (including shale gas and coal-bed methane) stood at 176.17 billion m^3; consumption of natural gas stood at 306 billion m^3.[50] The newly discovered geological reserves of shale gas were 764.42 billion m^3, of which the increased proven technical recoverable reserves were 183.84 billion m^3.

4.80. Under China's energy development plan, the use of natural gas is to be expanded, as it is considered clean energy. In 2019, gas accounted for 8.1% of energy consumption, up from 5.8% in 2015. In addition to industrial fuel and power generation, gas is mainly used for urban heating and cooking, transport, and the manufacture of raw chemical materials and chemical products.

4.81. Distribution of natural gas is mostly operated by the CNPC and SINOPEC, while private companies play a more substantial role in the retail sector. Foreign investors, notably from Hong Kong, China, are present in both the importing segment and in the urban gas retail distribution segment. According to the 2020 Negative List for the Access of Foreign Investments, the distribution of foreign-invested natural gas has been opened to foreign investors and shall be managed following the principle of consistent domestic and foreign investment.

4.2.2.5 Electricity

4.82. By end-2019, China's installed power generation capacity was 2.01 billion kW (up from 1.9 billion kW at end-2018). Thermal power, hydropower, nuclear power, wind power, and solar power accounted for 1.19 billion kW, 358 million kW, 49 million kW, 210 million kW, and 200 million kW, respectively. At end-2018, these figures were 1.04 billion kW, 352 million kW, 45 million kW, 180 million kW, and 170 million kW, respectively.

[50] MNR (2020), *China Mineral Resources*. Viewed at: http://www.mnr.gov.cn/sj/sjfw/kc_19263/zgkczybg/202010/P020201022612392451059.pdf.

4.83. On 19 December 2018, the Standing Committee of the NPC amended the Electricity Law (adopted in 1995 and came into force on 1 April 1996). It was previously amended in 2009 and 2015. The 2018 amendment aimed to address the approval procedures of power businesses. Under the amendment, applications for the establishment and a change in a power supply business shall be submitted to the electric power administrative department, which shall, in accordance with its duties and administrative authority, issue the electric power business licence after examination and approval in conjunction with the relevant departments.

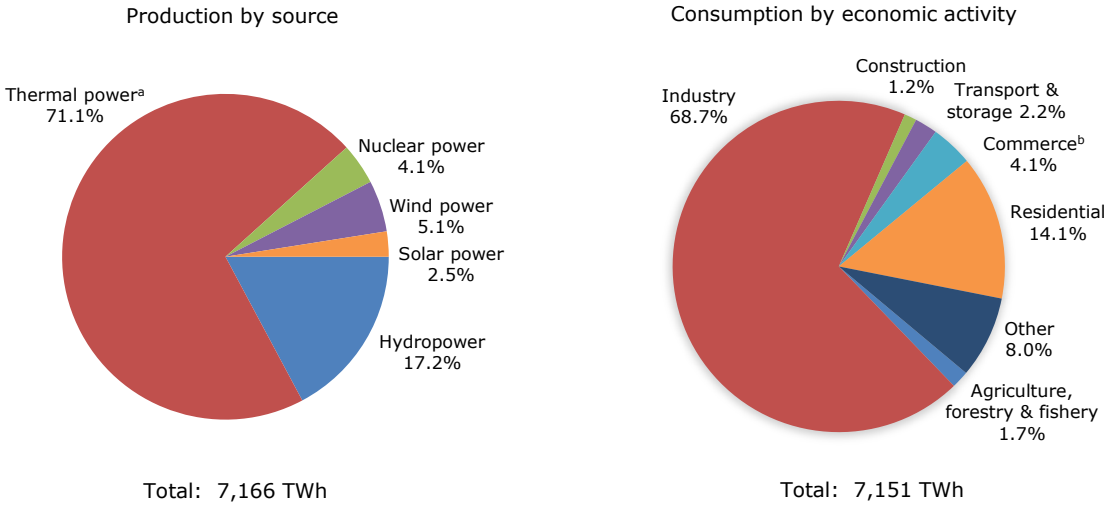
4.84. The Administration Measures on Power Grid Enterprises' Full Purchase of Electricity Generated by Renewable Energy[51] provide that on-grid electricity generated by renewable energy power plants must be purchased by distributors (regional monopolies) within the coverage of their power grids. Currently, Chinese grid companies include State Grid Corporation, China Southern Power Grid, Inner and Mongolia Power (Group) Co., Ltd., as well as a number of provincial grid enterprises.

4.85. Chart 4.7 describes electricity production, by source of primary energy, and electricity consumption, by type of economic activity, in 2018.

4.86. Chart 4.8 describes the installed generation capacities by source for 2019; Table 4.18 describes the investment in generation capacity by source for 2017 and 2019.

4.87. In 2019, China lifted the requirements that the construction and operation of gas pipeline networks in cities with a population of more than 500,000 must be controlled by Chinese shareholders. However, for construction and operation of nuclear power plants, the Chinese parties must be the controlling shareholders (Table 4.19). Private investment, including foreign investment, is encouraged in the development of the renewable energy sector. In the new 36-Clause on Private Investment (State Council Circular 2010/13), domestic private capital is "encouraged" to build new energy sectors such as wind, solar, geothermal, and biomass power. Electricity generation from wind, solar, or biomass power is also listed in the "encouraged" section of the Catalogue of Encouraged Industries for Foreign Investment (2020 edition). China also promotes electricity generation with nuclear energy; as in the case of renewable energy, FDI is encouraged.

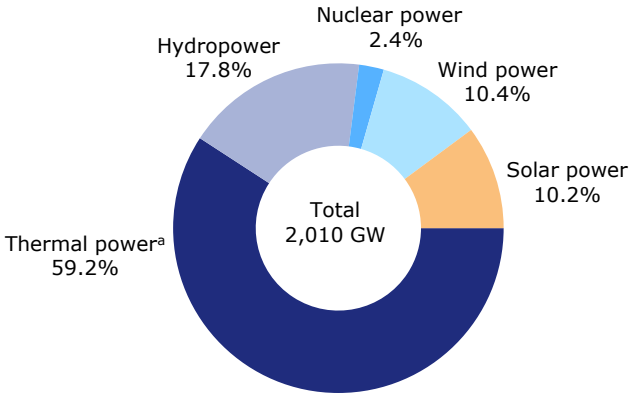
Chart 4.7 Structure of electricity production and consumption, 2018



a Thermal power refers to electricity generated by coal, oil, gas, residual heat, waste incineration, and biomass.
b Commerce refers to wholesale and retail trade, and hotels and catering.
Source: National Bureau of Statistics, *Statistical Yearbook 2020*.

[51] State Electricity Regulatory Commission (SERC), Decree 2007/25.

Chart 4.8 Installed generation capacities by primary energy, 2019



a Thermal power refers to electricity generated by coal, oil, gas, residual heat, waste incineration, and biomass.

Source: National Bureau of Statistics, *China Statistical Yearbook 2020*.

Table 4.18 Investment in power generation capacity by source, 2017-19

Type	Unit (CNY million)	2017	2018	2019
Hydropower	100	622	700	839
Thermal power	100	858	786	634
Nuclear power	100	454	447	382
Wind power	100	681	646	1,244
Solar power generation	100	285	207	184

Source: China Electricity Council, *Statistical Data Collection of Electric Power Industry, 2017-2019*.

Table 4.19 Investment regime for electricity, 2017 and 2020

	2017 Catalogue	2019 Encouraged Industries/2020 Negative List
Encouraged	Construction and operation of ultra-supercritical unit power station with the capacity of a single unit of 600,000 kW or more	Same as in 2017
	Construction and operation of back-pressure combined heat and power stations, combined cooling, heating and power stations, and combined heat and power stations with capacity of 300,000 kW or more	Same as in 2017
	Construction and operation of large air cooling unit power stations with the capacity of a single unit of 600,000 kW or more in water-deficient areas	Same as in 2017
	Construction and operation of integrated gasification combined cycle power generation and other clean coal power generation projects	Same as in 2017
	Construction and operation of power generating projects of a single unit of 300,000 kW or more by using fluidized bed combustion bolters and coal gangue and coal slime, etc.	Same as in 2017
	Construction and operation of hydropower stations for the primary purpose of power generation	Same as in 2017
	Construction and operation of nuclear power stations	Same as in 2017
	Construction and operation of new energy power stations (including but not limited to solar, wind, geothermal, tidal, tidal current, wave, and biomass)	Same as in 2017
	Construction and operation of power grid	Construction and operation of clean energy microgrid
	Seawater utilization (direct utilization of seawater or seawater desalination)	Seawater utilization (direct utilization of seawater or seawater desalination); brackish water utilization

	2017 Catalogue	2019 Encouraged Industries/2020 Negative List
	Construction and operation of water supply plants	Design, construction, and operation of water supply plant
	Construction and operation of renewable water	Design, construction, and operation of renewable water
	Construction and operation of sewage treatment plants	Design, construction, and operation of sewage treatment plants
	Construction and operation of vehicle charging stations and battery replacement stations	Same as in 2017
	Construction and operation of hydrogen refuelling stations	Same as in 2017
Restricted	Construction and operation of nuclear power stations (with Chinese party as the controlling shareholder)	Construction and operation of nuclear power stations (with Chinese party as the controlling shareholder)
	Construction and operation of power grid (with Chinese party as the controlling shareholder)	Not listed
	Construction and operation of pipeline networks for gas, heat, and water supply and sewage in cities with a population of more than 500,000 (with Chinese party as the controlling shareholder)	Not listed

Source: MOFCOM and NDRC, *Catalogue for the Guidance of Foreign Investment Industries 2017*, *Catalogue of Encouraged Industries for Foreign Investment* (2020 edition), and Special Administrative Measures on Access to Foreign Investment (2020 edition); and 2020 National Negative List.

4.88. China's efforts to liberalize power generation and utilization were outlined in Several Opinions on Further Deepening the Reform of the Electric Power System (Zhong Fa No. 9, 2015), issued in March 2015.[52] The reform liberalizes electricity prices (notably industrial ones), except for transmission and distribution and for public welfare purposes (i.e. residential, agricultural, and important utility uses, and other public welfare purposes determined by the Government). Transmission and distribution tariffs are regulated by the NDRC and the NEA. The authorities indicate that the NDRC has completed the approval of the transmission and distribution tariffs of the 33 provincial grids during the regulatory period (2020-22), and has for the first time ratified the transmission prices of five regional power grids. The new tariffs are set to come into force on 1 January 2021. Certain large industrial and commercial consumers are encouraged to buy electricity from generation companies based on direct electricity purchase agreements at negotiated prices.

4.89. In line with the liberalization steps initiated in 2015, the power retail market is open to non-state-owned investors under the Management Rules for Entry and Exit of Power Sale Companies and the Management Rules for Orderly Liberalizing of Power Distribution Businesses issued by the NDRC and the NEA in October 2016 (Fa Gai Jing Ti No. 2120, 2016).[53] The Rules stipulates licensing requirements for power sales enterprises. As at end-2020, there were about 4,500 electric power companies registered with the power trading agency of China. Since 2018, there has been no foreign investment restriction in the construction and operation of power grids. Under the current regime, the generation, transmission, and distribution of power shall be administered under the principle of equal treatment to both domestic and foreign investment.

4.90. Various electricity trading agencies have been established across the country, with the purpose of linking the grids and the retail distribution companies, and trading electricity on a market basis. They are mainly responsible for the construction, operation, and management of trading platforms; the organization of market trading; the provision of settlement evidence and relevant services; the registration of bilateral contracts signed by the power users and generation companies;

[52] The orientations of the reform were subsequently elaborated by six Supportive Documents for Electricity Mechanism Reform issued by the NDRC and the National Energy Administration (Fa Gai Jing Ti No. 2752, 2015), as well as by numerous implementing regulations and pilot projects, notably: (i) the Notice of NDRC and NEA on Standardizing the Pilot for Incremental Power Distribution Reform (Fa Gai Jing Ti No. 2480, 2016); (ii) the Reply of NDRC General Office and NEA General Affairs Division on Agreeing with the Establishment of Incremental Power Distribution Reform Pilot in Ningdong (Fa Gai Ban Jing Ti No. 570, 2017); and (iii) the Notice of NDRC and NEA on Standardizing the Second Batch of Pilot for Incremental Power Distribution Reform of 21 November 2017.

[53] NDRC and NEA, *The Management Rules for Entry and Exit of Power Sale Companies,* and *the Management Rules for Orderly Liberalizing of Power Distribution Businesses*. Viewed at: https://www.ndrc.gov.cn/xxgk/zcfb/tz/201610/t20161011_963217.html.

the registration and management of market actors; and the disclosure and release of market information.

4.91. The trial of "pilot spot markets", where trading of electricity takes place on a spot basis instead of by medium- to long-term contracts, began in August 2017 in eight areas (Guangdong, west of Inner Mongolia, Zhejiang, Shanxi, Shandong, Fujian, Sichuan, and Gansu). All pilot areas carried out a settlement trial in September. The authorities indicate that further simulations took place during the review period to verify the integrity of the market clearing and technical support system. In June 2019, all eight pilot power spot areas started simulated operation. In 2020, all pilot areas completed a monthly settlement trial. It is planned that in 2021 some areas will carry out longer settlement trials.

4.3 Manufacturing

4.3.1 Recent developments

4.92. China is the world's largest producer of industrial goods. In 2018, with a total value-added amounting to some USD 4 trillion, the Chinese manufacturing sector accounted for 28% of global manufacturing output.[54] The sector is an important driver of China's economy, despite its shrinking contribution to the country's GDP. Its share as a percentage of GDP stood at 27.2% in 2019, down from 29% in 2015. Additionally, its share in private sector employment was around 15.4% in 2018.[55] In 2019, manufactured products accounted for 95.4% of China's exports (up from 93.7% in 2016) and 66.5% of its imports (up from 64.9% in 2016).

4.93. The authorities consider that China's performance in manufacturing is largely attributed to its increasing integration in global value chains, driven by factors including trade and investment liberalization, abundant and productive labour, a large domestic market, high-quality infrastructure, and innovation. However, the long-term sustainability of the sector may face environmental challenges and excess capacity. Firms in this sector may consistently face low capacity utilization rates, as well as incurring losses. Nevertheless, the authorities state that, currently, there is no excess coal production capacity in China; since 2016, it has closed more than 1 billion tonnes of outdated coal production capacity, and the proportion of outputs of large-scale coal mines with or above 1.2 million tonnes per year has exceeded 80%. They also state that the steel, cement, aluminium, and chemicals sectors have sound profitability levels, and they consider that there is no excess capacity in these industries.

4.94. A number of policy initiatives remain in force to address the challenges facing manufacturing activities and further develop the sector. As described in detail in the previous Review, major initiatives include the Made in China 2025 (or China Manufacturing 2025) initiative (launched in 2015), and the Internet Plus initiative (launched in 2015). According to the authorities, these initiatives are non-binding guidelines.

4.95. While the current policy initiatives are intended to promote the expansion of higher value-added and knowledge-based activities through innovation, environmental considerations are also at the core of China's efforts in the manufacturing sector. They aim to reduce energy and resources consumed and pollutants emissions released per unit of industrial added value by 2025.[56] On 1 January 2018, China implemented a new environmental tax policy aimed at promoting environmental protection and reducing pollution. The new tax is set to affect companies in various economic sectors, mainly in manufacturing. It replaces the pollution discharge fee previously in place and applies to four pollutant categories when they are discharged directly into the environment in Chinese territory: atmospheric pollutants, water pollutants, solid waste, and noise.[57] Reductions

[54] World Economic Forum, *These Are the Top 10 Manufacturing Countries in the World*, 25 February 2020. Viewed at: https://www.weforum.org/agenda/2020/02/countries-manufacturing-trade-exports-economics/#:~:text= According%20to%20data%20published%20by,China%20overtook%20it%20in%202010.

[55] National Bureau of Statistics, *China Statistical Yearbook 2019*. Viewed at: http://www.stats.gov.cn/tjsj/ndsj/2019/indexeh.htm.

[56] OECD (2017), *Industrial Upgrading for Green Growth in China*. Viewed at: https://www.oecd.org/greengrowth/Industrial_Upgrading_China_June_2017.pdf.

[57] Exclusions include discharge of sewage/domestic waste into treatment facilities and solid waste into storage/disposal facilities where these meet national standards, emissions from agricultural production, and motor vehicle/vessel/aircraft emissions.

on environmental tax are provided to companies that pollute less than the standard. Penalties have been also strengthened.

4.96. The authorities are also cognizant of the issue of excess capacity in manufacturing[58], and have made efforts to reduce capacity in recent years. As an example, the Supply-Side Structural Reforms (SSSR), which were announced in 2015, aim to reduce capacity, among other goals. During the review period, the country's efforts to phase out industries that it considers outdated or heavily polluting were shown in the Catalogue for Guiding Industry Restructuring, last updated in 2019 (Section 2.4.1).

4.97. In an effort to increase the competitiveness of the economy, manufacturing activities were further liberalized during the review period. The 2020 Special Administrative Measures on Access to Foreign Investment (the 2020 National Negative List) lifted the restrictions on the share ratio of foreign investment in commercial vehicle manufacturing. In addition, they eliminated the prohibitions on foreign investment in the smelting and processing of radioactive minerals, as well as the production of nuclear fuel. Furthermore the 2020 Catalogue of Encouraged Industries for Foreign Investment (Encouraged FDI Catalogue) added a number of manufacturing activities to the list of encouraged industries, including fifth-generation equipment mobile terminals and their integrated system, etchers for integrated circuits, chip packaging equipment, cloud computing devices, key components of industrial robots, new energy vehicles (NEVs), intelligent vehicles, aerospace new materials, cell therapy drugs, and large-scale cells culture products.

4.98. At the same time, some restrictions and prohibitions are in place *vis-à-vis* foreign investments. In the automotive industry, Chinese parties must hold no less than 50% in the manufacturing of passenger vehicles.[59] In addition, a foreign investor may establish no more than two joint ventures in China to manufacture the same type of vehicles. Within the medicine production industry, foreign companies are prohibited from investing in the application of steaming, stir-frying, moxibustion, calcination of Chinese herbal medicines, and other processing techniques, as well as the production of confidential prescription products of proprietary Chinese medicines. Foreign investment in the production of satellite television broadcasting ground receiving facilities and key components is subject to licensing.

4.99. The Ministry of Industry and Information Technology (MIIT) is the main regulator for the manufacturing sector; it is responsible for developing industrial strategies, making industry plans and standards, and monitoring the operation of the industry, including licensing for production of road vehicles and civilian explosives, according to the law. The NDRC is responsible for coordinating industry development and developing industry upgrade strategies. MOST is also involved in industrial policies for high-tech manufacturing.

4.3.2 Selected subsectors

4.3.2.1 Automobiles, automotive parts, and components

4.100. In 2018, state-holding enterprises and foreign-invested enterprises (FIEs) accounted for 45.4% and 47.3%, respectively, of operating revenue in the automobile manufacturing sector (43.7% and 48.0%, respectively, in 2019).

4.101. China is the largest automobile market worldwide, both in terms of demand and supply. According to the results of the national survey of industries above a certain scale[60], the production volume of automobiles in 2018 and 2019 was around 27.8 million and 25.7 million, respectively.

4.102. China's automobile industry was hit hard by the COVID-19 pandemic. The authorities note that car production and sales fell by nearly 80% in February 2020. However, due to the epidemic prevention and control measures and recent economic developments, car production and sales have recovered markedly. In 2020, the decline in annual production and sales narrowed to less than 2%, and the production and sales of NEVs increased by 7.5% and 10.9%, respectively. According to the World Economic Forum, car manufacturers in China resorted to innovative marketing solutions to

[58] This challenge is also present in sectors beyond manufacturing, such as coal mining.
[59] The authorities state that the limit will be cancelled in 2022.
[60] The above-mentioned designated scale is a statistical term used in China to refer to industrial enterprises with annual main business revenue of CNY 20 million or more.

keep supply chains running. For example, some carmakers focused on consumers who were shopping online for cars, using tools including virtual reality and live broadcasts to stimulate sales.[61]

4.103. In 2020, the production and sales volume of automobiles were 25.22 million and 25.31 million, respectively. According to the National Bureau of Statistics, in 2020, the operating revenue of the automobile manufacturing sector above the state-designated scale was CNY 8,155.77 billion, an increase of 3.4% year-on-year, and the profit was CNY 509.36 billion, with a year-on-year increase of 4.0%. Statistics from the China Association of Automobile Manufacturers suggest that the number of employees in the 17 key automotive enterprises (groups) stood at 999,951, a year-on-year decrease of 5.6%.

4.104. In April 2020, in an effort to boost automobile consumption, 11 ministries and commissions, including the NDRC and MOFCOM, jointly issued a series of measures.[62] In substance, the regulations delay the implementation of the National VI emission standards for six months (until January 2021), for the production of light vehicles (total mass not exceeding 3.5 tonnes).[63] Measures were also taken, along the same lines, to extend the financial subsidy available for purchasing NEVs to end-2022[64], accelerate the elimination of scrapped diesel trucks through preferential tax policies, and encourage financial institutions to actively develop financial services, such as automobile consumer credit. Furthermore, the authorities indicate that in order to increase the sales of second-hand vehicles, from 1 May 2020 to 31 December 2023, VAT rate on the distribution of used cars shall be reduced to 0.5%. Prior to this reduction, VAT rate was at 2% (which is lower than the 3% rate under the "simplified method").[65]

4.105. The production of automobiles, including NEVs, is subject to approval by the NDRC and the MIIT. Measures were taken in November 2018 to reform the regulatory regime on the market admission (approval) of automobile manufacturers, as well as the admission of auto vehicle products.[66] Specifically, the new reform, *inter alia*, unifies the rules (requirements) that regulate the admission of manufacturers and products in the auto industry[67], and streamlines the list of matters subject to MIIT approval, so as to reduce the administrative burden on auto manufacturers.

4.106. In December 2018, the authorities took new measures to further facilitate certain administrative procedures on investments in the automotive sector.[68] According to the new rules, investment projects in complete vehicles and other related investments shall be managed by local Development and Reform Departments. The regulations also set strict control on new investments that aim to increase manufacturing capacity of traditional oil-fuelled cars, in line with the country's efforts to promote NEVs and the sustainable development of the automotive industry.

4.107. The Automobile Mid- and Long-term Development Plan (launched in 2017) is the main strategic plan to promote the auto industry. The Plan aims to, *inter alia*, improve the innovation system and promote the development of key areas, such as NEVs, smart network cars, and energy-saving cars. The Plan also emphasizes the importance of strengthening international cooperation.

4.108. In accordance with the vision of the Automobile Mid- and Long-term Development Plan, specific plans were adopted during the review period. With regard to new generation vehicle manufacturing, a number of supporting actions were taken during the review period to encourage production. In February 2020, the NDRC and other 11 departments jointly released the Intelligent

[61] World Economic Forum, *This Industry Was Crippled by the Coronavirus – Here's How It's Fighting Back*, 25 February 2020. Viewed at: https://www.weforum.org/agenda/2020/02/coronavirus-china-automotive-industry/.

[62] Notice on Measures to Stabilize and Expand Automobile Consumption (Fa Gai Chan Ye No. 684, 2020).

[63] The National VI Emission Standards refer to the new emission standards on diesel particulate filters.

[64] MOF, Announcement on the Relevant Policies Concerning the Exemption of Vehicle Purchase Tax on New Energy Vehicles. Viewed at: http://szs.mof.gov.cn/zhengcefabu/202004/t20200417_3500222.htm.

[65] Announcement on Value-Added Tax Policy Related to the Distribution of Used Cars (Announcement No. 17, 2020).

[66] Measures for the Administration of Access by Road Motor Vehicle Production Enterprises and Products (MIIT Decree No. 50).

[67] The MIIT divides road vehicles into six categories (i.e. passenger vehicle (PV), commercial vehicle (CV), special purpose vehicle (SPV), trailer, motorbike, and low-speed automobile) for which emission requirements and process used to be in place for each category.

[68] Provisions on the Management of Investments in the Automotive Industry.

Vehicle Innovation and Development Strategy to, *inter alia*, accelerate the transformation and upgrading of the automotive industry, and promote innovation and development of intelligent vehicles. Under the Plan, commercial application of highly automated driving vehicles is expected to take place by 2025.

4.109. In October 2020, the Government outlined a development plan for the NEV industry, aiming to accelerate technological innovation and infrastructure construction.[69] Under the plan, the average power consumption of new purely electric passenger cars shall be reduced to 12 kWh/100 km and the proportion of NEVs in the total sales of new vehicles shall be raised to 20% by 2025.

4.110. New rules were adopted in May 2019 to improve the management of the recycling and dismantling of scrapped motor vehicles.[70] The regulations lift the quota restriction on the number of recycling enterprises allowed in each region; though, without a qualification, no company or individual may operate such a business. The new rules are set to increase China's recycling and dismantling capability and promote the healthy development of the scrap industry.

4.3.2.2 Machinery and equipment

4.111. Similar to the whole manufacturing sector, the machinery and equipment industry was hit hard by the COVID-19 outbreak. According to data provided by the authorities, from January to May 2020, the accumulative operating income of the machinery industry was CNY 7.4 trillion, a year-on-year decrease of 9.03%, while imports stood at USD 112 billion, a year-on-year decrease of 11.02%; exports amounted to USD 167.9 billion, a year-on-year decrease of 7.61%. However, according to the authorities, since the second quarter of 2020, production in the machinery industry has steadily improved, and the annual accumulative operating income for 2020 stood at CNY 23 trillion, a year-on-year increase of 4.2%, while export delivery value amounted nearly CNY 2 trillion, a year-on-year decrease of 3.1%. Imports of machinery equipment in 2020 amounted to USD 191.96 billion, a year-on-year increase of 0.8%, while exports stood at USD 440.25 billion, a year-on-year increase of 5.7%. Exports of medical devices totalled USD 12.91 billion in 2019, a year-on-year increase of 13.2%; they totalled USD 18.14 billion in 2020, a year-on-year increase of 40.5%. The authorities note that machinery industry policy aims to pursue innovation-driven development; promote the transformation towards an intelligent, green, and service-oriented machinery industry; promote the optimization of industrial structures; improve product quality; improve the utilization rates of resources and energies; and reduce pollutant emissions.

4.112. In 2016, the Government launched the Robotics Industry Development Plan (2016-2020) to promote robot applications and to attract foreign investment. The plan aims to, *inter alia*, produce 100,000 industrial robots annually by 2020. The authorities state that these targets have not been fully met. Under the Plan, special funds from the central budget were set to be earmarked to support robotics research and development, and financial institutions were encouraged to finance robotic projects.[71]

4.113. With respect to recent developments in relation to medical equipment, the authorities took measures in 2020 to support the stable production of COVID-19 prevention and control materials. The State Taxation Administration and the MOF issued the Announcement on Tax Policies Supporting COVID-19 Prevention and Control (Announcement No. 8, 2020). The Announcement allows a one-time deduction from corporate income tax of expenses related to newly purchased equipment by key producers of COVID prevention and control to expand their production capacity.[72]

4.114. Other strategic actions in machinery and equipment industries include: (i) the MIIT's Guiding Opinions on Accelerating the Development of Environmental Protection Equipment Manufacturing Industry, which set the goal of reaching a production value of CNY 1 trillion for environmental equipment manufacturing by 2020; and (ii) the Action Plans for High-End Smart Remanufacturing

[69] State Council, *Cabinet Boost for New Energy Vehicles*, 13 October 2020. Viewed at: http://english.www.gov.cn/policies/policywatch/202010/13/content_WS5f85068dc6d0f7257693d696.html.

[70] State Council, Measures on the Management of the Recycling of Scrapped Motor Vehicles (State Council Decree No. 715).

[71] State Council, *China to Triple Industrial Robot Production by 2020*, 27 April 2016. Viewed at: http://english.www.gov.cn/state_council/ministries/2016/04/27/content_281475336534830.htm.

[72] State Taxation Administration. Viewed at: http://www.chinatax.gov.cn/chinatax/n810341/n810755/c5143465/content.html.

(2018-2020). In addition, the Plan of Intelligent Manufacturing Development (2016-2020), issued by MIIT and the MOF, was put in place to guide the development of intelligent manufacturing. The Plan, *inter alia*, sets the goals of completing the digitalization of traditional manufacturing sectors by 2020, establishing an intelligent manufacturing support system, and achieving intelligent transformation of key industries by 2025.

4.3.2.3 Iron and steel

4.115. The value of China's iron and steel exports stood at USD 33.4 billion in 2020, down from USD 46.9 billion in 2018, while the value of imports increased from USD 22.4 billion to USD 36.8 billion over the same period. According to the authorities, the same dynamic continued in 2020, in line with China's efforts to tackle overcapacity in the steel industry. Over the first half of 2020 steel exports sharply decreased, and imports substantially increased. From January to May, China exported 25 million tonnes of steel products, a year-on-year decrease of 14%, and imported 5.46 million tonnes of steel products, a year-on-year increase of 12%, reflecting the country's efforts to address excess capacity in the industry.

4.116. Efforts by China to eliminate production overcapacity in the steel industry are guided by the Opinions on Reducing Overcapacity in the Steel Industry to Achieve Development by Solving Difficulties (Guo Fa No. 6, 2016).[73] Among other actions, the Opinions prohibit the building up of new steel capacity. China also intends to encourage enterprises to eliminate part of their steel production capacity through, *inter alia*, proactive capacity elimination, mergers and acquisitions and restructuring, transformation and conversion of production lines, relocation and reconstruction, and global cooperation in production capacity. Under the Opinions, China plans to cut additional crude steel capacity by 150 million tonnes by 2020, to bring capacity closer to consumption.

4.117. The authorities indicate that, by the end of 2019, China had reduced crude steel capacity by about 170 million tonnes in cumulative terms, which outperformed the goal of the 13th Five-Year Plan for Economic and Social Development of reducing 150 million tonnes of excess steel capacity ahead of the 2020 deadline.[74] They also note that zombie companies[75] have been largely dismantled in the iron and steel industry. In addition, steel production not conforming to quality standards was cut by 140 million tonnes in 2017. The authorities state that the capacity of "standard steel" has been fully banned.

4.118. Going forward with its capacity reduction efforts, in January 2018, China announced a new policy to forbid steel plants from increasing their capacity. They were also required to remove at least 1.25 tonnes of outdated capacity for every tonne of new capacity in "environmentally sensitive" areas of the Beijing-Tianjin-Hebei region, the Yangtze River Delta, and the Pearl River Delta.[76] Under the Notice on Improving Capacity Replacement and Project Filing of Iron and Steel (Fa Gai Dian No. 19, 2020), as from 24 January 2020, the steel capacity replacement and project filing were suspended; guidelines for steel project filing were formulated and introduced, and revisions were made to the measures for steel capacity replacement. The Notice also imposed some environment-related provisions and prohibited steel smelting capacity extensions.

4.119. According to the OECD, in November 2019, the NDRC, the MIIT, and the National Bureau of Statistics jointly issued a notice requiring steel companies to conduct a study and submit a report on the capacity status and production changes in their facilities over the last three years. The aim

[73] State Council, *Opinions of the State Council on Resolving Excess Capacity in the Iron and Steel Industry*. Viewed at: http://www.gov.cn/zhengce/content/2016-02/04/content_5039353.htm.

[74] A 2020 report by the OECD on the world's steelmaking capacity noted a decrease in China's steelmaking capacity from 1,192.9 million tonnes in 2016 to 1,152.2 in 2019; these figures were not confirmed by the authorities. According to the study, these calculations are based solely on the sum of all the steelmaking plants in existence for which information is available to the OECD Secretariat. OECD (2020), *Latest Developments in Steelmaking Capacity*. Viewed at: https://www.oecd.org/industry/ind/latest-developments-in-steelmaking-capacity-2020.pdf.

[75] The term "zombie companies" refers to companies that are unable to cover debt servicing costs from current profits.

[76] State Council, *China Releases New Steel Capacity Replacement Policy*, 9 January 2018. Viewed at: http://english.www.gov.cn/state_council/ministries/2018/01/09/content_281476006915798.htm.

of this investigation was to review the changes in capacity and equipment in China's steel sector since 2016.[77]

4.3.2.4 Electronic, IT, and integrated circuits

4.120. According to the Statistical Yearbook of China's Electronic Information, the market share of SOEs in electronic information manufacturing enterprises (above a certain designated scale) stood at 3.5% in 2018, while private enterprises accounted for 47.3%.

4.121. The integrated circuit (IC) industry is the core of information technologies. As such, the authorities see it as a strategic industry supporting national economic and social development and maintaining national security. The Made in China 2025 initiative reiterated China's focus on next-generation IT, with reference to semiconductors. The authorities indicate that in 2018, the operating revenue of IC manufacturing enterprises (above a designated scale) was CNY 364.4 billion. In addition, the statistics of China Semiconductor Industry Association suggest that in 2019 the revenue of China's IC industry was about USD 108 billion, with 40.51% coming from IC designing, 28.42% from IC manufacturing, and 31.07% from IC packaging and testing.

4.122. China relies heavily on the imports of high-end ICs. Exports of ICs stood at USD 117.1 billion in 2020 (up from USD 84.7 billion in 2018), while imports amounted USD 350.8 billion (up from USD 312.7 billion in 2018). Most demand for semiconductors reflects the country's specialization in the assembly of electronics, as the majority of chips are not actually consumed in China but instead re-exported to other countries in the form of electronic equipment (e.g. phones, TVs, and tablets).

4.123. The 2014 Guidelines for Promoting the Development of the National Integrated Circuit Industry set specific targets to develop China's IC and semiconductor industry. It identified the goals of raising the industry's revenue to over CNY 350 billion by 2015, and achieving an annual rate of revenue growth of over 20% by 2020. Priority tasks include the establishment of the National Leading Group for the Development of Integrated Circuit Industry, the initiation of the National Integrated Circuit Industry Investment Fund, and the promotion of safe and reliable hardware and software.

4.124. On 24 September 2014, the National IC Industry Investment Fund was established, with initial funding of USD 23 billion. The authorities state that the Fund's investment management and decision-making of the Fund are under the market principles, and the Fund is not affiliated with any government authority. According to a study by the OECD, as at May 2019, shareholding in China's National IC Investment Fund included: the MOF (36%); China Development Bank Capital (22%); China National Tobacco, a central SOE (11%); and Beijing E-Town International Investment & Development, a local SOE (10%).[78] The authorities did not confirm these figures.[79] A second round of funding for the IC Fund was completed in 2019, which added USD 29 billion for investments into upstream, domestic semiconductor companies. According to the authorities, as at October 2019, the major shareholders included the MOF (11.02%), China Development Bank Capital (10.77%), Shanghai Guosheng Group (7.35%), China National Tobacco (7.35%), and Beijing E-Town International Investment & Development (4.89%).

4.125. As described in the Secretariat's report for China's previous Review, certain tax incentives continue to be granted to companies in the IC industry, mainly through the 2015 revised Circular on Enterprise Income Tax Policies for Further Encouragement to Development of Integrated Circuit Industry (MOF and SAT No. 6, 2015), and the 2016 Circular on Enterprise Income Tax Policies for Software Industry and Integrated Circuit Industry (MOF and SAT No. 49, 2016).[80]

[77] OECD (2020), *Latest Developments in Steelmaking Capacity*. Viewed at: https://www.oecd.org/industry/ind/latest-developments-in-steelmaking-capacity-2020.pdf.

[78] OECD (2019), *Measuring Distortions in International Markets – The Semiconductor Value Chain*. Viewed at: http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/TC(2019)9/FINAL&docLanguage=En.

[79] According to the OECD report, at the provincial level, the National IC Industry Investment Fund is supplemented by a series of local funds, such as the Beijing IC Industry Equity Investment Fund. The authorities also indicate that the local funds have no government involvement.

[80] WTO document WT/TPR/S/375/Rev.1, 14 September 2018.

4.126. On 4 August 2020, the State Council released the Policy on Promoting High-quality Development of Integrated Circuit Industry and Software Industry (Guo Fa No. 8, 2020).[81] Under the Policy, China rolled out a wide range of favourable measures, such as preferential corporate income tax, favourable financing, support for R&D, preferential import duties for certain products, and simplified customs formalities. The authorities indicate that these measures are designed for domestic and foreign-invested companies on the same terms, as specified by the law. The Policy also seeks to strictly implement an intellectual property protection system for ICs and software and increase the penalties for violations of IPRs. On international cooperation, the policy aims to, *inter alia*, create an environment for international companies to invest China; encourage international companies to build R&D centres in China; and promote the "Go Global" initiative of the IC industry and software industry. The authorities state that the incentives measures under this Policy are set to replace the existing preferential tax treatment, after a transition period.

4.127. The National Informatization Development Strategy, which was issued in July 2016, seeks to guide the development of national informatization in the next 10 years. Action plans for IT and its subsectors are presented in Table 4.20.

Table 4.20 Action plans for IT and its subsectors, 2016-20

Plans	Goals (by 2020)	Date of issue
Information Industry Development Guide	Revenue of the information industry will reach CNY 26.2 trillion (up 8.9% from 2015); general trade exports of electronic information products will account for 30% of the industry exports (up 4.5% from 2015)	16 January 2017
Plan for the Development of the Information and Communication Industry (2016-2020)	ICT revenue will reach CNY 3.5 trillion (up 15.5% from 2015)	17 January 2017
Plan for the Development of the Software and Information Technology Services (2016-2020)	Revenue of software and IT will exceed CNY 8 trillion, with an annual growth rate of 13%, accounting for 30% of the IT industry; exports of software products will exceed USD 68 billion	17 January 2017
Plan for the Development of the Large Data Industry (2016-2020)	Revenue of large data-related products and services will exceed CNY 1 trillion, with an annual growth rate of 30%	17 January 2017
Three-Year Action Plan for the Development of Cloud Computing (2017-2019)	By 2019, the cloud computing industry will reach CNY 430 billion	30 March 2017
Three-Year Action Plan for the Development of Industrial Electronic Commerce	E-commerce purchases will amount to CNY 9 trillion and e-commerce sales to CNY 11 trillion	25 September 2017
Information Industry Development Guide	Revenue of the information industry will reach CNY 26.2 trillion (up 8.9% from 2015); general trade exports of electronic information products will account for 30% of the industry's exports (up 4.5% from 2015)	16 January 2017

Source: Information provided by the authorities.

4.3.2.5 Shipbuilding

4.128. The Made in China 2025 initiative considers shipbuilding as one of its 10 priority sectors. The Plan has the overarching strategic objective to make China strong in high-end shipbuilding. Furthermore, in the context of the 13th Five-Year Plan for Economic and Social Development, the MIIT unveiled in December 2016 the Shipbuilding Industry Deepening Structural Adjustment, Accelerating Transformation and Upgrading Action Plan (2016-20), outlining the reform and transformation upgrade needed for the shipbuilding industry.

4.129. In addition, the Plan aims to improve technological innovation, streamline capacity, incorporate intelligent manufacturing, improve overall quality and branding, promote military-commercial shipbuilding collaboration, and extend the global reach in terms of investments and partnerships. It also urges shipbuilders to comply with environmental good practices and promote

[81] State Council, *Policy on Promoting High-quality Development of Integrated Circuit Industry and Software Industry.* Viewed at: http://www.gov.cn/zhengce/content/2020-08/04/content_5532370.htm.

green shipping and energy efficiency. China's policy to promote a green shipbuilding industry was previously signalled in 2009, as the country proposed to accelerate the scrap-and-build of old fleets and eliminate single-hulled oil tankers, aiming to increase the safety of ships and decrease the environmental burden from shipping by replacing old fleets with new greener vessels.

4.130. The 13th Five-Year Plan of China Ship Accessory and Equipment Industry (2016-20) also pursued the objective of raising the proportion of domestic equipment to reach 80%, 60%, and 40%, respectively, in three ship models, high-tech ships, and ocean engineering equipment by end-2020. According to the authorities, the Plan and its objectives serve only as guidelines.

4.131. In January 2017, the MIIT published a statement encouraging financial institutions to support the domestic shipbuilding industry. According to an OECD study, the China Banking Regulatory Commission (CBRC) encouraged financial institutions to support the domestic shipbuilding industry and exports of domestically built ships.[82] The authorities indicate that over the years, they have provided support to the development of the real economy, including shipbuilding. As such, they note that in recent years, with the continuous improvement of China's shipbuilding technology and quality, as well as the enhancement of China's business environment, including financing conditions, demand for ships in China has increased, which has played a positive role in supporting Chinese shipbuilding enterprises to resist the adverse impact of long-term market downturn and maintain the healthy and stable development of the industry.

4.132. China is the world's leading shipbuilder. In recent years, the level of ship design and shipbuilding in China has improved rapidly. China is building large container ships of above 20,000 TEU in batch. Construction of large cruise ships has also begun, but the product structure still needs to be optimized. Low value-added and low-tech ship types, such as bulk carriers, still account for a large proportion (52% of the total delivery in 2020 in terms of compensated gross tonnage).

4.133. In 2019, a plan to merge the country's two largest state-owned shipbuilders – the China State Shipbuilding Corp. (CSSC) and the China Shipbuilding Industry Co. (CSIC) – was announced.[83] The authorities state that as at March 2021, the joint reorganization of the CSSC and the CSIC had not yet been completed.

4.4 Services

4.4.1 Financial services

4.4.1.1 Overview

4.134. China's policy on financial services seeks to prevent and control financial risks, serve the real economy, and further promote liberalization.[84] The authorities indicate that some current policy measures are geared towards addressing the rebound of non-performing bank assets, regulating shadow banking, and combatting financial corruption and crime. Specific efforts include actions to further improve the monetary policy transmission channel, improve the capital market, support small and medium-sized banks to replenish their capital and optimize their governance, improve the corporate governance of financial institutions, and regulate the qualifications and behaviour of shareholders. In the foreign exchange market, the authorities aim to promote market-based development of the foreign exchange market.

[82] OECD, *Science, Technology and Industry Policy Papers*, August 2019, No. 75.

[83] Both the CSSC and the CSIC are managed by the State-owned Assets Supervision and Administration Commission (SASAC) on behalf of the Government. The shipyards of the CSIC are located in northeast and northern China. Its subsidiaries include Dalian Shipbuilding Industry, Bohai Shipbuilding Heavy Industry, Qingdao Beihai Shipping Heavy Industry, and Shanhaiguan New Shipbuilding Industry. CSSC shipyards are mainly located in eastern and southern China, and its subsidiaries include Shanghai Waigaoqiao Shipbuilding, Jiangnan Shipyard (Group) Co., Ltd., Hudong-Zhonghua Shipbuilding (Group) Co., Ltd., and the rebranded CSSC Offshore & Marine Engineering Company (COMEC).

[84] The description will mainly focus on the regulatory developments that have occurred during the review period. See WT/TPR/S/375/Rev.1, 13 July 2018, paras. 4.143-4.172; WT/TPR/S/342/Rev.1, 12 October 2016, paras. 4.44-4.84; WT/TPR/S/300/Rev.1, 7 October 2014, paras. 4.48-4.84; WT/TPR/S/264/Rev.1, 20 July 2012, paras. 96-164; and WT/TPR/S/230/Rev.1, 5 July 2010, paras. 47-82.

4.135. The sector accounted for 7.9% of GDP in 2019 and 2018; it employed 8.2 million people in 2019, up from 6.9 million in 2018. Its structure is still unbalanced, with a significant predominance of banks over other types of financial institutions. The stock market is relatively small. Market capitalization of listed domestic companies stood at CNY 8.5 trillion in 2019, representing roughly 59.3% of GDP.[85] By contrast, according to the World Bank, the ratio of total bank credit to GDP stood at 164.6% in 2019. Commercial banks' dominance of the sector is evident from their participation in the system's total assets: over 82% of assets and liabilities of banking institutions, up from some 78% for both indicators in 2018. The authorities indicated that in 2020, the market capitalization of listed domestic companies stood at CNY 79.72 trillion, representing 78.5% of GDP. In 2018, 2019, and 2020, equity financing[86] of non-financial sectors stood at CNY 861.5 billion, CNY 918.9 billion, and CNY 1.26 trillion, respectively; non-financial companies issued CNY 1.65 trillion, CNY 2.58 trillion, and CNY 3.45 trillion in corporate bonds (including corporate goods, convertible bonds, and exchangeable bonds), respectively, in those same years through the exchange bond market. The exchange bond market issued local government bonds totalling CNY 2.56 trillion, CNY 2.83 trillion, and CNY 2.42 trillion, respectively, in 2018, 2019, and 2020.

4.136. State-owned banks are among the major players in China's financial sector. Large banks in the system (e.g. the Big Six state-owned commercial banks and the three policy banks[87]) and most other financial institutions (e.g. credit cooperatives, non-bank financial companies, and insurance companies) are either directly state-owned or owned by other SOEs. In a report to the NPC, the State Council indicated that total assets of state-owned financial institutions at end-2017 was CNY 241 trillion, which represented 88% of the total.[88]

4.137. On 24 January 2019, the number of China's official big state-owned banks, the most important banks in the domestic system, reached six, following the inclusion of the Postal Savings Bank of China by the authorities, alongside Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, and Bank of Communications.[89] The authorities state that, in recent years, China has encouraged joint-stock commercial banks to optimize corporate governance structure, improve governance and execution efficiency, and accelerate high-quality development and transformation. In June 2019, the CBIRC approved the initial public offering (IPO) of the Postal Savings Bank of China in A-shares.

4.138. Assets of banks continued to grow during the review period. As at the end of the first half of 2020, the total CNY and foreign currency assets of China's banking institutions reached CNY 309.4 trillion, up 9.7% year-on-year. Profit growth of commercial banks was generally stable during the review period. However, in the first half of 2020, profits of commercial banks decreased year-on-year. Commercial banks accumulated a net profit of CNY 1.0 trillion, down by 9.4% year-on-year. The average rate of net return on equity was 10.35%. The average rate of net return on total assets (ROA) of commercial banks was 0.83%. Compared with the end of the first quarter of 2020, it decreased by 0.15 percentage points. The authorities note that risk resilience remained strong. The core Tier 1 capital adequacy ratio (CAR) of commercial banks (excluding branches of foreign banks) was 10.47%, down by 0.41 percentage points compared with the end of last quarter 2019; Tier 1 CAR was 11.61%, down by 0.34 percentage points, and CAR was 14.21%, down by 0.31 percentage points compared with the end of the last quarter of 2019.[90]

4.139. Regarding non-performing loans (NPLs), at the end of 2020 Q2, the outstanding balance of NPLs of commercial banks was CNY 2.74 trillion, up by CNY 124.3 billion compared with last quarter. The NPL ratio of commercial banks was 1.94%, an increase of 0.03 percentage points compared with the previous quarter, which seems to reflect the economic impacts of the COVID-19 pandemic.

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[85] World Bank, *Market Capitalization of Listed Domestic Companies (Current US$) in China.* Viewed at: https://data.worldbank.org/indicator/CM.MKT.LCAP.CD?locations=CN.

[86] Including that in the Shanghai and Shenzhen Stock Exchanges and National Equities Exchange.

[87] The three policy banks are China Development Bank, Export-Import Bank of China, and Agricultural Development Bank of China.

[88] Zhang, C. (2019*), How Much Do State-Owned Enterprises Contribute to China's GDP and Employment?,* World Bank document. Viewed at: http://documents1.worldbank.org/curated/en/449701565248091726/pdf/How-Much-Do-State-Owned-Enterprises-Contribute-to-China-s-GDP-and-Employment.pdf.

[89] Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, and China Construction Bank of China are designated as global systemically important banks by the Financial Stability Board.

[90] CBIRC, *Supervisory Statistics of the Banking and Insurance Sectors – 2020 Q2*, 8 October 2020. Viewed at: http://www.cbirc.gov.cn/en/view/pages/ItemDetail.html?docId=921929&itemId=983.

At the same time, the balance of loan loss provisions of commercial banks reached CNY 5.0 trillion, an increase of CNY 206.0 billion from the previous quarter. The provision coverage ratio was 182.4% in the first half of 2020, down by 0.80 percentage points compared with the end of last quarter 2019. The authorities have introduced a phased deferment of loan repayments scheme, in which banks have been allowed to grant deferment of loan repayments to micro, small, and medium-sized enterprises (MSMEs) and other eligible firms upon application. In this case, banks could refrain from downgrading enterprises' loan risk categories, while upholding the approach of substantive risk assessment. The authorities note that in the first half of 2020, COVID-19 had a sizeable impact on China's economy, and new NPLs in the banking sector rose. In this regard, the CBIRC urged banks to do a more accurate classification of credit assets, adopt various means to make up for capital, increase the withdrawal of provisions in advance, continue to increase the disposal of NPLs, and strictly control the increment of new NPLs. They indicate that as at first quarter 2021 the risk of NPLs has generally eased.

4.140. Over the period leading up to the COVID-19 pandemic, the Government had been exploring the resolution framework of financial institutions, and in accordance with laws and regulations, it intervened in three relatively weak banks. In 2019, developments in China's banking industry were marked by the takeover of Baoshang Bank and the recapitalization of the Bank of Jinzhou and Hengfeng Bank. In November 2020, Beijing No. 1 Intermediate People's Court ruled for the bankruptcy liquidation of Baoshang Bank.

4.141. In the insurance sector, assets of companies increased during the review period, amounting to CNY 22.0 trillion in the first half of 2020. Compared with the beginning of the year, assets of property and casualty insurance companies registered CNY 2.4 trillion, up 5.3%; assets of life insurance companies reached CNY 18.6 trillion, up 9.6%; assets of reinsurance companies recorded CNY 513.3 billion, up 20.5%; and assets of insurance asset management companies were CNY 64.4 billion, up 0.5%.

4.4.1.2 Reform of the financial supervision framework

4.142. During the review period, the authorities carried out a significant reshuffle of China's financial supervision system, in response to the changing realities of the country's financial environment. The recent liberalization efforts by China and the context of financial innovation have been marked by the prevalence of new types of challenges and the emergence of a more diverse typology of market participants, mainly shadow banking. In 2017, the IMF and the World Bank considered that coordination and detailed exchanges of information between regulators were lacking; they pointed out the need for China to reform its financial supervision structure.[91] The authorities consider that the establishment of the CBIRC in 2018 significantly strengthened the overall coordination and penetration supervision of banking and insurance. The recent reforms, including strict enforcement, have led to a decrease in shadow banking activities. The authorities state that in 2017 shadow banking dropped by about CNY 20 trillion from its historical peak. This helped to maintain the stability of the financial system.

4.143. The new structure follows an integrated type of supervisory model. The Financial Stability and Development Committee (FSDC), established in November 2017, is a financial regulatory body under the auspices of the State Council and headed by a Vice Premier, which is higher ranked than the ministry-level heads of the other financial regulators. The FSDC is tasked with, *inter alia*, implementing the decisions and plans of the State Council regarding the financial sector; deliberating major reform and development programmes for the financial sector; coordinating financial reform, development and regulation, issues concerning monetary policy and financial regulation, and major issues concerning financial regulation; analysing international and domestic financial situations, addressing international financial risks, and conducting policy research on systemic risk prevention and treatment to maintain financial stability; and guiding local financial reform, development, and supervision of the duty performance of local financial regulatory authorities and governments. During the review period, a new supervisory arrangement was adopted, combining the oversight structure of banking and insurance to form one single regulator, the CBIRC. The CBIRC was established in April 2018, as a result of a merger of the CBRC and China Insurance Regulatory Commission (CIRC).

[91] IMF (2017), *People's Republic of China: Financial Sector Assessment Program – Detailed Assessment of Observance of Basel Core Principles for Effective Banking Supervision*. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2017/12/26/Peoples-Republic-of-China-Financial-Sector-Assessment-Program-Detailed-Assessment-of-45516.

Its mandate is to, *inter alia*, regulate and supervise banking and insurance institutions, maintain fair competition in the banking and insurance sectors, and protect the legitimate rights and interests of stakeholders, including depositors and insurance policyholders.[92] It also collects and publishes statistics on industry, approves the establishment or expansion of banks and insurance companies, and resolves potential liquidity, solvency, or other problems that might occur in individual companies. The China Securities Regulatory Commission (CSRC) has a similar mandate in the securities and futures market that includes, *inter alia*, the responsibilities of policy formulation and implementation, including monitoring of compliance.[93]

4.144. As part of the reform of financial supervision, some legislative and rulemaking responsibilities originally vested in the CBRC, the CIRC, and the CSRC within their respective segments were transferred to the PBOC. Moreover, in addition to its central bank responsibilities of, *inter alia*, formulating and implementing monetary and exchange rate policies; regulating interbank markets, foreign exchange markets, the payment and settlement system, and the credit information system; and building a macro-prudential monitoring system, and conducting regular risk assessments, the PBOC also leads the effort in preventing systemic financial risk and promoting the stability of the financial system. It is responsible for establishing the mechanism for the assessment and identification of systemically important financial institutions, and leading the drafting of basic rules, monitoring, and analysis, as well as supervising such financial institutions.

4.4.1.3 Recent regulatory developments

4.4.1.3.1 Overview

4.145. China continued to reform its financial sector during the review period. While a number of licensing and prudential regulations were adopted or amended, several measures were taken to liberalize financial activities and to further promote foreign participation in the banking, insurance, pension fund management, and securities industries. As regards the opening of the financial market, in July 2019, the FSDC announced a package of 11 reform measures covering: (i) credit rating by foreign-invested companies; (ii) foreign participation in asset management; (iii) steps to encourage foreign financial institutions to invest in wealth management subsidiaries of Chinese commercial banks; (iv) foreign participation in pension fund management; (v) foreign participation in currency brokerage; (vi) lifting the foreign ownership cap on life insurance companies; (vii) lifting the restrictions on foreign ownership in insurance asset management companies; (viii) relaxing the entry restrictions on foreign-invested insurance companies; (ix) lifting foreign ownership limits on securities companies, futures companies, and fund management companies; (x) allowing foreign-invested financial institutions access to Type-A underwriting licences in the interbank bond market; and (xi) allowing foreign institutional access to inter-bank bond markets.

4.4.1.3.2 Regulatory developments in banking

4.4.1.3.2.1 Developments in licensing of foreign banks

4.146. The 2018 National Negative List lifts the cap on foreign ownership in Chinese commercial banks, which was previously set at 20% for an individual foreign investor and 25% for a group of investors. Accordingly, on 17 August 2018, the CBIRC published the Decision on Abolishing and Revising Some Rules, which revises the Implementation Measures for the Administrative Licensing Items Concerning Chinese-Funded Commercial Banks.

4.147. Furthermore, on 15 October 2019, the State Council amended the Regulations on Administration of Foreign-Funded Banks (State Council Order No. 720), followed in December 2019 by its implementing rules published by the CBIRC. The amendment abolishes the requirements that obliged foreign shareholders to have total assets of no less than USD 10 billion to establish wholly foreign-owned banks or a joint venture with Chinese banks, or USD 20 billion to establish branches in China. It also allows foreign investors to establish and operate both branches and wholly owned or joint ventures simultaneously in China, and operate agency collection and payment business. In addition, the amended regulation removed the requirement that "the Chinese sole or key shareholder of a joint venture bank shall be a financial institution". While the new regulation lowers

[92] CBIRC, *About the CBIRC*. Viewed at: https://www.cbirc.gov.cn/en/view/pages/ItemList.html?itemPId=974&itemId=975&itemUrl=About/Mandates.html&itemTitle=Mandates&itemPTitle=About%20the%20CBIRC.

[93] CSRC, *About CSRC*. Viewed at: http://www.csrc.gov.cn/pub/csrc_en/about/.

the minimum amount of the fixed-term CNY deposit that branches of foreign banks in China can accept from Chinese individuals (from no less than CNY 1 million to no less than CNY 0.5 million per deposit), it also removes the approval requirement applicable to foreign-invested banks engaging in CNY-related businesses.

4.148. The authorities indicate that on 27 April 2018 a Notice was issued by the CBRC[94], allowing the operating capital of foreign banks to be calculated in a "consolidated manner". Under the new framework, if the operating capital of an established branch meets the minimum required capital, the foreign bank may authorize the established branch to allocate its excess operating capital to an additional branch in China.[95]

4.4.1.3.2.2 Developments in banking prudential regulations and measures to tackle other systemic risks

4.149. Measures were taken during the review period to further improve China's prudential regulation framework, in accordance with the Core Principles of Effective Banking Supervision under Basel III (Revisions) and based on the actual situation of the banking industry in China.

4.150. On 24 April 2018, the authorities adopted the Measures for the Administration of the Large Exposures of Commercial Banks, effective on 1 July 2018, in line with Basel III supervisory framework for measuring and controlling large exposures. Under the Measures, the total exposure of a commercial bank to an interbank counterparty or a group of connected interbank counterparties shall not exceed 25% of the bank's net value of Tier 1 capital. The total exposure of a global systemically important bank to another global systemically important bank shall not exceed 15% of the bank's net Tier 1 capital.

4.151. On 25 May 2018, the Measures on Liquidity Risk Management of Commercial Banks were adopted, with an effective date of implementation of 1 July 2018. The Measures require commercial banks to increase the diversification of and to further stabilize their financing sources. They introduce three new indicators for liquidity risk supervision in response to Basel III reforms[96]:

- the net stable funding ratio (NSFR), which measures banks' long-term stable funding to support their business development, applies to lenders with assets of no less than CNY 200 billion;
- the adequacy ratio of the high-quality liquid assets (HQLA) ratio, which evaluates whether banks have enough HQLA to cover short-term liquidity gaps when under stress, applies to lenders with assets below CNY 200 billion; and
- the liquidity matching ratio, which applies to all lenders, measures the maturity matching of bank assets and liabilities.

4.152. In accordance with the Liquidity Risk Management Measures, a commercial bank with an asset size of CNY 200 billion and above shall continuously meet the minimum supervisory standards for the liquidity coverage ratio (LCR) (at 100%), NSFR (at 100%), liquidity ratio (at 25%), and liquidity matching ratio (at 100%). A commercial bank with an asset size of less than CNY 200 billion shall continuously meet the minimum supervisory standards for adequacy ratio of HQLA (at 100%), liquidity ratio (at 25%), and liquidity matching ratio (at 100%). Commercial banks shall fully implement the supervisory requirements for the liquidity matching ratio from 1 January 2020.

4.153. On 30 April 2019, the CBIRC launched a consultation on the draft Interim Measures for the Classification of Financial Asset Risks of Commercial Banks, following the release of new benchmarks by the Basel Committee on Banking Supervision. The draft measures extend the risk classification from loans to all financial assets that bear credit risk. The draft Measures, once adopted, would

[94] Notice of the General Office of the CBRC on Issues Concerning the Amendment and Implementation of Measures for the Administrative Licensing of Foreign-Funded Banks (CBIRC Notice No. 45, 2018).

[95] State Council Information Office, Notice of the CIRC on Further Liberalizing Market Access for Foreign Banks. Viewed at: http://www.scio.gov.cn/32344/32345/39620/41925/xgzc41931/Document/1666285/1666285.htm.

[96] These indicators are in addition to two indicators that were already in place: liquidity coverage ratio (LCR) and liquidity ratio.

replace the 2007 Guidelines for Risk-Based Loan Classification, which classifies commercial loans into five tiers: normal, special mentioned, substandard, doubtful, and loss. According to the authorities, the draft Measures extend the risk classification from loans to all financial assets that bear credit risk, emphasize the concept of debtor-centred classification, clarify the number of overdue days as an objective indicator of risk classification, and refine the risk classification requirements for restructured assets.

4.154. Several other measures were taken by the authorities to better contain financial risks. In January 2018, the CBRC released the Measures for the Administration of Entrusted Loans by Commercial Banks to regulate entrusted loans and risks thereof.[97] The Measures set clear guidelines on the sources of funds, loan purposes, and risk management, as well as strict supervisory rules on entrusted loans in commercial banks. Under the Measures, the CBRC forbids the use of entrusted loans for, *inter alia*, bonds, futures, and financial derivatives investment. Over the same period, the CIRC revised rules to tighten regulation over the use of insurance funds, in order to better serve the real economy.

4.155. In April 2018, China's financial regulators jointly issued the Guiding Opinions on Regulating the Asset Management Business of Financial Institutions, and a supplementary notice was issued on 20 July 2018 to clarify operational details.[98] The new rules set, *inter alia*, strict standards for investment in non-standard assets, standards of asset management product leverage, and strict controls on implicit guarantees.

4.156. In November 2018, the PBOC, the CBIRC, and the CSRC issued the Guidelines on Improving Regulation of Systemically Important Financial Institutions, which clarify the overall framework for the identification, regulation, and resolution of domestic systemically important financial institutions. In December 2020, the PBOC and the CBIRC issued the Measures for the Evaluation of Systemically Important Banks, which specify the scope, methodology, and procedure for evaluating domestic systematically important banks.

4.157. Other measures were also taken in relation to equity management by commercial banks. On 5 January 2018, the Interim Measures for the Equity Management of Commercial Banks were adopted by the CBRC. The Measures standardize the behaviour of shareholders of commercial banks. It also strengthens the information disclosure and reporting requirements imposed on shareholders that have a significant impact on the operation and management of commercial banks.

4.4.1.3.2.3 Other measures in banking

Foreign participation in bond rating

4.158. The FSDC announced in July 2019 that it would allow foreign-invested entities to provide credit ratings on all types of bonds in the Chinese interbank bond market and exchange-traded bond market. The move was initiated through the release on 1 July 2017 of PBOC Circular No. 7/2017, which opened the interbank bond market to foreign credit rating agencies. The authorities indicate that S&P Global and Fitch Ratings have established wholly foreign-owned subsidiaries in China.

4.159. Prior to the 2019 Announcement, S&P Global Ratings was the only foreign entity that was allowed to participate in giving ratings to all kinds of bonds on the China interbank bond market, including financial institution bonds, debt financing instruments for non-financial enterprises, structured products, and foreign bonds. On 11 July 2019, S&P Global (China) Ratings released its first rating report for a domestic issuer in China, rating ICBC Financial Leasing Co., Ltd. "AAA" with a "stable" outlook. On 14 May 2020, the US firm Fitch Ratings was allowed, via its wholly owned subsidiary, to conduct certain bond rating business in the interbank bond market. Moody's, another foreign-owned rating agency, operates in the Chinese market through equity participation. At present, Moody's holds 30% of the equity in China Chengxin International Credit Rating (CCXI),

[97] Entrusted loans refer to loans provided by a corporate lender to a corporate borrower through a commercial bank that acts as a trustee of the lender. Entrusted loans are considered to be shadow banking in China.

[98] Notice on Further Clarifying Relevant Matters in the Guiding Opinions on Regulating the Asset Management Business of Financial Institutions (detailed rules).

which is qualified to provide rating services for all bond products in the interbank and exchange markets.

Participation of foreign financial institutions in the establishment and investment of the wealth management subsidiaries of commercial banks

4.160. The FSDC announced that China will encourage foreign financial institutions to participate in the establishment of, and make investments in, the wealth management subsidiaries of Chinese commercial banks. Furthermore, joint ventures between foreign asset management agencies and Chinese banks or insurance companies to establish an asset management company controlled by the foreign party would be permitted. On 24 September 2020, the CBIRC approved the establishment of Huihua Wealth Management Co., Ltd., a joint venture co-invested by France's Amundi Asset Management (55%) and Bank of China Wealth Management Co., Ltd. (45%). In addition, on 11 August 2020, the CBIRC approved a joint wealth management venture among Blackrock Financial Management Inc., CCB Wealth Management Co., Ltd., and Fullerton Management Pte Ltd.

4.161. On 3 January 2020, the CBIRC published the Guiding Opinions on Promoting the High-Quality Development of the Banking and Insurance Industries, which encourage foreign-funded institutions to participate in various aspects of the wealth management business. While the Guiding Opinions further encourage business collaboration in financing (including trade finance, finance granted to SMEs, and commodity finance), they also emphasize collaboration in the wealth management business.

Currency brokerage by foreign companies

4.162. According to the FSDC's announcement, China will support foreign entities to establish currency brokerage firms using their own capital or to take an equity stake in a Chinese broker. On 3 September 2020, the CBIRC approved the establishment of Japan's Ueda Yagi Money Broking (China) Co., Ltd., China's first wholly foreign-invested currency brokerage.

Reform of the interest rate setting mechanism

4.163. On 17 August 2019, the PBOC released an announcement to improve the formation mechanism of the loan prime rate (LPR), to further reflect market dynamics.[99] Under the reforms, the new LPR will be linked to rates set during open market operations, namely the PBOC's medium-term lending facility (MLF), which is determined by broader financial system demand for central bank liquidity. Since August 2019, the new LPR is announced at 9:30 a.m. on the 20th of every month, in lieu of publishing it on daily basis. The rate had up until the reform been set using quotations from 10 contributing banks. The number of quotation banks was expanded from the top 10 nationwide banks by loan volume to 18 quotation banks, including 10 nationwide banks, 2 city commercial banks, 2 rural commercial banks, 2 foreign-invested banks, and 2 private banks, to further reflect the representativeness of quotation banks and encourage small- and medium-sized banks to use LPR.

4.4.1.3.3 Regulatory developments in insurance

4.4.1.3.3.1 Developments in licensing requirements

4.164. Since 2018, the Central Government has launched several measures to open up the insurance industry, including abolishing the requirement of having a representative office in China for at least two years and 30-year operation period to establish foreign-invested insurance institutions in China, allowing foreign insurance groups to invest in insurance institutions, and opening-up measures in the field of insurance intermediaries. On 15 October 2019, the State Council announced its decision to modify certain provisions in the Administrative Regulations on Foreign-

[99] PBOC, *China Monetary Policy Report Quarter Four, 2019*, 19 February 2020. Viewed at: http://www.pbc.gov.cn/en/3688229/3688353/3688356/3830461/3985458/2020030717393760199.pdf.

invested Insurance Companies[100]; it was followed in December 2019 by implementing rules published by the CBIRC.

4.165. Foreign ownership limits were also lifted on life insurers and insurance asset management companies. In 2018, the PBOC announced that the foreign ownership cap on life insurance companies would be raised to 100% by 2021. Subsequently, in July 2019, the FSDC announced that China will accelerate this transition timeline by allowing Chinese life insurance companies to be fully foreign-owned in 2020. On 9 December 2019, the CBIRC released the Notice Concerning Clarification of the Timeframe for the Cancellation of Foreign Ownership Restrictions on Joint Venture Life Insurance Companies. The Notice states that all restrictions on foreign ownership of joint-venture insurance companies that engage in life insurance operations will be officially lifted starting 1 January 2020, giving foreign investors the opportunity for full ownership. In addition, in line with FSDC's announcement, the CBIRC is revising the Interim Administrative Regulations on Insurance Asset Management Companies, which lift the 25% foreign ownership cap on insurance asset management companies.

4.4.1.3.3.2 Developments in prudential regulations

4.166. China's current solvency regime, the China Risk Oriented Solvency System (C-ROSS), was first brought into operation in January 2016. Under C-ROSS, three indicators need to be reported by insurers to the regulator in their solvency reports: (i) the core solvency ratio (the ratio of core capital to minimum capital); (ii) the overall solvency ratio (the ratio of core capital plus supplementary capital to minimum capital); and (iii) the integrated risk rating (IRR), which ranges from A (highest rating) to D (lowest) based on both quantitative capital requirements and an evaluation of unquantifiable capitalized risks.

4.167. In September 2017, the CIRC launched a public consultation on C-ROSS Phase II, to take into account the evolving nature of risks in the insurance industry. In January 2021, the CBIRC revised and issued the Regulations on the Solvency Management of Insurance Companies, which specify solvency standards as follows: core solvency ratio to be not less than 50%; comprehensive solvency ratio to be not less than 100%; and IRR, which measures the overall solvency risk of insurance companies (including capitalized and uncapitalized risks), shall not be lower than Class B. A company will be considered to meet solvency standards only when all three indicators are satisfied. According to the authorities, after two rounds of quantitative testing and a number of expert discussions by the insurance industry, a draft containing all rules under C-ROSS Phase II has been completed. The authorities asked to receive the opinions from the industry by end-January 2021.

4.4.1.3.4 Recent developments in securities activities

4.4.1.3.4.1 Foreign participation

4.168. In March 2021, the authorities stated that the legislative work on the Futures Law was ongoing. The Futures Law is set to be the next overarching legislation for China's futures industry.

4.169. Efforts have been made in recent years to develop and vitalize China's securities market, including expanding the range of products available to foreign investors, enlarging foreign investors' access to the Chinese market, and enhancing the legal regime governing the sector.

4.170. On 28 June 2018, the 2018 edition of the Special Administrative Measures for the Market Entry of Foreign Investment (Negative List) provided that foreign shareholding restrictions in securities companies, futures companies, fund management companies, and life insurance companies would be eased to allow investment up to a maximum stake of 51%, and the measures approved the lifting of all such restrictions in 2021. However, the shareholding restrictions for foreign securities companies, fund management companies, futures companies, and life insurance companies would be officially lifted in 2020, a year earlier than previously scheduled, which means that full foreign ownership is therefore allowed. The authorities note that caps on foreign ownership of fund management companies and securities companies have been abolished nationwide since

[100] State Council, *Amendments to Regulations in Finance Sector*, 15 October 2019. Viewed at: http://english.www.gov.cn/policies/latestreleases/201910/15/content_WS5da57b97c6d0bcf8c4c1524e.html.

1 January 2020 and 1 December 2020, respectively. In addition, caps on foreign ownership of futures companies were lifted from 1 January 2020.

4.171. China also extended market access opportunities for holders of Qualified Foreign Institutional Investors (QFII) status and Renminbi Qualified Foreign Institutional Investors (RQFII) status. Initially, these statuses were created to allow foreign institutional investors to have access to a range of Chinese financial products (entire A-share market, bond markets, and other asset classes). In September 2020, the CSRC, the PBOC, and State Administration of Foreign Exchange (SAFE) released the Measures for the Administration of Domestic Securities and Futures Investment by QFII and RQFII, which took effect on 1 November 2020. The measures consolidated the QFII and RQFII schemes into one and further streamlined application procedures. As a result, foreign institutions can make a one-time application for the new QFII status, which allows them to invest in China's securities and futures market in either CNY or a tradable foreign currency. The new rules also expanded QFIIs' scope of investment to include, *inter alia*, financial futures and commodity futures.[101]

4.172. On 7 May 2020, the PBOC and SAFE issued the Regulations on Fund Administration for Domestic Securities and Futures Investments by Foreign Institutional Investors (PBOC and SAFE Announcement No. 2, 2020) to end the quota system for both QFII and RQFII schemes. Under the defunct quota system, institutional investors seeking to participate in the QFII and RQFII schemes were required to apply for an individual quota that sets limits on how much they can invest in the capital market. The reform steps also aimed to, *inter alia*, allow the QFII/RQFII to independently choose the currency and time of inward remittance and perform integrated management of domestic and foreign currencies, and cancel the requirements that a Chinese certified public accountant must issue special audit reports on tax-related filing of investment income. The authorities note that the recent reforms have further promoted foreign participation, as at February 2021, a total of 576 QFII institutions had invested in China's capital market.

4.173. Regarding foreign participation in China's bond market, the authorities continued to gradually open the bond market to foreign market participants. Pursuant to the FSDC announcement in July 2019, the authorities note that China now allows foreign-invested entities to become Type-A lead underwriters in the interbank bond market, which allows them to act as lead underwriters of all types of bonds.

4.4.1.3.4.2 Measures to improve governance and prevent risks

4.174. On 26 October 2018, the 13th National People's Congress adopted a decision to revise the Company Law. The revision seeks to improve the current share repurchase regime, mainly by broadening the share repurchase scenarios, simplifying the decision-making procedures for share repurchase, extending the period in which a company holds the shares that it had repurchased, increasing the upper limit of the number of shares of a company held by the company itself, establishing and improving the treasury stock system of joint-stock companies, and supplementing the normative requirements of share repurchase of listed companies. Before the revision, companies were banned from buying back their publicly traded shares except under four circumstances.[102] The new regime further loosens the restrictions by allowing companies to convert repurchased shares into corporate bonds issued by listed companies, or to buy back shares to defend their corporate value and shareholders' interests.

4.175. An amendment to the Securities Law was adopted on 28 December 2019 and entered into force on 1 March 2020.[103] Major changes in the amended Securities Law include implementing a registration-based IPO regime (which replaces the current approval regulatory framework), enhancing disclosure requirements and investor protection rules, and strengthening regulatory enforcement and risk prevention and control. The authorities indicate that in accordance with the

[101] CSRC, *CSRC, PBC and SAFE Release the Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors*, 25 September 2020. Viewed at: http://www.csrc.gov.cn/pub/csrc_en/newsfacts/release/202009/t20200925_383652.html.

[102] The four circumstances were capital reduction, merger with other companies, awarding the shares to employees, and at the request of dissident shareholders.

[103] State Council, *New Securities Law Takes Effect*, 1 March 2020. Viewed at: http://english.www.gov.cn/policies/latestreleases/202003/01/content_WS5e5b6168c6d0c201c2cbd4dc.html.

Securities Law, the administrative measures for the issuance and trading of asset-backed securities and asset management products shall be formulated by the State Council in accordance with the principles of the Law.

4.176. The authorities have also taken several measures with a view to further strengthening the supervision over securities companies, regulating certain activities of securities companies, and preventing risks faced by securities companies. In this respect, in 2018, the CSRC, *inter alia*, issued the Guidelines for the Internal Control of Investment Banking Business of Securities Companies and revised the Administrative Measures on Sponsorship for Securities Issuance and Listing. In addition, the CSRC issued the Regulations on the Administration of the Equity of Securities Companies, the Regulations on Issues Concerning the Implementation of the Regulations on the Administration of the Equity of Securities Companies, and the Administrative Measures for the Private Asset Management Business of Securities and Futures Operating Institutions. In January 2020, the CSRC revised the Regulations on the Calculation Standards for Risk Control Indicators of Securities Companies.

4.177. In July 2020, the CSRC and the CBIRC jointly revised and issued the Administrative Measures for Securities Investment Fund Custody Business. It allows foreign bank branches in China to apply for qualification as a securities investment fund custody business and their financial indicators such as net assets can be calculated based on the overseas head office. The Measures also specify the responsibilities that shall be undertaken by overseas head offices and strengthen supporting risk management and control arrangements.[104]

4.178. Several measures were adopted to further modernize the futures market. On 7 September 2018, the Announcement on Further Strengthening the Collection of Trading Terminal Information from Futures Operators Clients (CSRC Announcement No. 27, 2018) was adopted. It requires futures companies to ensure, *inter alia*, that the trading orders placed by its clients through trading terminal software directly reach their information system.

4.179. In June 2019, the CSRC issued the Amended Measures for the Supervision and Administration of Futures Companies, setting out stricter qualification requirements for major shareholders of futures companies, especially the controlling shareholders and the largest shareholders, than those in the 2014 version of the Measures. The Amended Measures also set disciplines on, *inter alia*, the obligations of the shareholders, notably when it comes to the management of futures companies, and the management of domestic branches, subsidiaries, and overseas operating institutions of futures companies.[105]

4.180. The authorities indicate that in February 2019 the CSRC issued the amended Regulation on the Classification and Supervision of Futures Companies.[106] On 15 January 2021, the CSRC issued a Decision on Amending and Abolishing Some Rules on Securities and Futures (CSRC Order No. 179), which amended the Administrative Measures for the Qualifications of Directors, Supervisors and Senior Managers of Futures Companies and the Measures for the Administration of Futures Exchanges.

4.4.1.3.4.3 Foreign activities of Chinese companies

4.181. Regarding foreign activities of Chinese securities companies, in September 2018, the CSRC issued the Administrative Measures for the Overseas Establishment, Acquisition, and Shareholding of Financial Institutions of Securities Companies and Securities Investment Fund Management Companies to further clarify the conditions for Chinese companies going abroad and to strengthen the parent company's control over its overseas subsidiaries.

[104] CSRC*, CSRC and CBIRC Jointly Promulgated the Administrative Measures on Custodian Business for Securities Investment Funds*, 11 July 2020. Viewed at: http://www.csrc.gov.cn/pub/csrc_en/laws/rfdm/DepartmentRules/202007/t20200711_379940.html.

[105] CSRC, CSRC Order No. 155, 2019, Measures for the Supervision and Administration of Futures Companies. Viewed at: http://www.csrc.gov.cn/zjhpublic/zjh/201906/t20190614_357276.htm.

[106] CSRC, CSRC Notice No. 5, 2019, Decision on Amending the Regulation on the Classification and Supervision of Futures Companies. Viewed at: http://www.csrc.gov.cn/pub/zjhpublic/zjh/201902/t20190222_351228.htm.

4.4.1.3.5 Developments in pension fund management

4.182. The FSDC announced that China will permit foreign financial institutions to set up or invest in Chinese private pension fund management companies. However, China's pension fund management sector is still operating under a pilot programme. According to the authorities, China continues to adopt the model of "one-on-one approval for eligible companies". They indicate that the CBIRC has not received formal applications from foreign financial institutions to set up or invest in private pension fund management companies in China.

4.183. The only foreign presence in the industry was made effective on 27 March 2019, as the CBIRC approved Heng An Standard Retirement Insurance Co., Ltd., a joint venture between the UK insurance company Standard Life Aberdeen PLC and Tianjin TEDA International to establish the first foreign-invested pension insurance company in China. Currently, there are eight established Chinese pension insurance companies.

4.184. China's private pension segment has considerable growth potential. The authorities are considering measures to promote individual pillar-three pensions, including formulating new laws and regulations, and launching preferential tax policies.

4.4.1.3.6 Measures to ease cross-border transactions and promote CNY internalization

4.185. Measures were taken during the review period to promote the internationalization of the CNY – among them, the recent reforms of the QFII/RQFII status (as described in Section 4.4.1.3.4.1) to further facilitate qualified overseas investors to invest in China's capital market. In 2019, the PBOC reformed the procedures for foreign Central Banks to have better access to China's interbank market.

4.186. In addition, the Notice on Further Improving Cross-border CNY Business Policies to Promote Trade and Investment Facilitation (Yin Fa No. 3, 2018), adopted on 5 January 2018, aims to promote cross-border CNY business in relation to trade and investment. The Notice provides that companies may settle with CNY for all cross-border transactions that can be settled in foreign currencies in accordance with the law. It also states that domestic enterprises may transfer CNY funds raised abroad by issuing bonds and stocks back to the domestic market for use as needed.

4.187. On 23 October 2019, SAFE issued the Circular on Further Promoting the Facilitation of Cross-border Trade and Investment (Hui Fa No. 28, 2019). The regulation consists of measures to simplify the foreign exchange control requirements under both current account transactions (e.g. import/export of goods and services) and capital account cross-border transactions (e.g. equity investment and debt financing), and relax the longstanding domestic equity investment restriction imposed on FIEs. Prior to this reform, only FIEs with the explicit wording of "investment" in their business scope (such as foreign-invested holding companies and foreign-invested venture capital/private equity investment enterprises) were allowed to use their capital funds to make further onshore equity investments. Now, with the implementation of the regulation, normal FIEs (without an investment business scope) are also allowed to utilize and convert their capital received from foreign investors to make equity investment provided that: (i) the restrictions of the applicable Negative List are complied with, and (ii) the investment is genuine and legitimate.

4.188. Regarding the necessary infrastructure for CNY internationalization, on 2 May 2018, the CNY Cross-border Interbank Payment System (Phase II) was established. According to the authorities, it improved the settlement mode, extended the system's external service hours, lengthened the list of direct participants, and further improved the application system design.

4.4.1.3.7 Developments in the fintech industry

4.189. The authorities encourage financial institutions to adopt new information technologies, as a way to improve the accessibility of financial services and reduce risk through the application of big data and artificial intelligence. In 2019, the PBOC issued the Fintech Development Plan, which lays out the basic principles, development goals, and supportive measures from 2019-21. The PBOC

conducted a pilot programme in 10 different places.[107] In recent years, the surge of fintech has opened new possibilities for expanding access to credit for small borrowers, including small and medium-sized enterprises (SMEs). Big Tech companies, such as Alibaba and Tencent, have extended loans to millions of small borrowers.[108] The leading virtual banks, MYbank (affiliated with Alibaba), WeBank (affiliated with Tencent), and XW Bank (affiliated with tech giant Xiaomi), provide loans to millions of small firms annually, more than 80% of which have no credit history.[109] The Central Bank's digital currency (e-CNY), which is currently being tested, is also expected to expand the coverage of payment services to unbanked households and small firms. This could improve their access to finance and further promote financial inclusion.

4.190. The 13th Five-Year Plan for the Development of Information Technology in China's Financial Sector also seeks to promote, *inter alia*, the innovative development of inclusive finance, financial infrastructure development, comprehensive financial statistics, and financial IT. The Plan identifies the following priorities: (i) attaining international advanced standards with regards to financial information infrastructure; (ii) harnessing IT to drive financial innovation; (iii) comprehensively deepening financial standardization; (iv) improving the security of all financial networks; and (v) significantly improving governance capabilities of financial IT.[110]

4.191. Baidu, Alibaba, and Tencent are responsible for most of the high-profile innovations that have occurred in China's finance industry. Millions of people use Tencent's WeChat Pay and Alibaba's Alipay daily to make third-party mobile payments. The fintech products currently offered include mainly online payment services, Internet banking, Internet loans, crowdfunding, Internet wealth management, Internet securities, and Internet insurance. Tech companies are required to obtain the corresponding financial licences to conduct financial services business.

4.192. There is no single comprehensive regulation that governs fintech activities. Various administrative measures on financial services apply to fintech business operators. Additionally, China has not set up a single supervisory authority for the regulation of the fintech industry. As indicated in Table 4.21, the relevant businesses of the fintech industry are subject to the supervision of the traditional regulatory authorities, depending on the characteristics of the services provided. The authorities indicated that in the fintech industry, financial innovation must be carried out on the premise of prudential supervision; supervision must be strictly implemented. All financial activities must be licensed and fully regulated in accordance with the law to avoid regulatory arbitrage. According to the authorities, all types of entities, domestic or foreign, are treated equally.

Table 4.21 Overview of the regulatory regime for fintech

Business	Regulator	Specific legislation
Online payment	People's Bank of China	Administrative Measures on Payment Services of Non-financial Institutions; Management Measures for Bank Card Acquiring Business; Administrative Measures on Online Payment Business of Non-bank Payment Institutions; Barcode Payment Service Specification (Trial)
Insurance sales on the Internet	China Banking and Insurance Regulatory Commission	Measures on Internet Insurance Business
Online trust business and consumer financing	China Banking and Insurance Regulatory Commission	..
Blockchain information service	Cybersecurity Administration of China	Administrative Rules on Block Chain Information Services

.. Not available.

Source: Information provided by the authorities.

[107] The projects include the Industrial and Commercial Bank of China's supply chain financing project; the Bank of Agriculture's microloan product; a payment token project jointly developed by Citic Bank, China UnionPay, Baidu's fintech arm Du Xiaoman Financial, and the online travel service platform Ctrip.com; Citic Bank's application programming interface solutions; Bank of Ningbo's fast loan product; and China UnionPay, Xiaomi and JD's joint project using cell phones as point-of-sale devices.

[108] Frost et al. (2019), *BigTech and the Changing Structure of Financial Intermediation*. Viewed at: https://www.bis.org/publ/work779.pdf.

[109] IMF (2020), *Fintech Credit Risk Assessment for SMEs: Evidence from China*, IMF working paper WP/20/193. Viewed at: https://www.imf.org/en/Publications/WP/Issues/2020/09/25/Fintech-Credit-Risk-Assessment-for-SMEs-Evidence-from-China-49742.

[110] PBOC. Viewed at: http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/3333848/index.html.

4.193. On 10 November 2020, the State Administration for Market Regulation (SAMR) issued a consultation draft of the Anti-Monopoly Guidelines on the Sector of Platform Economies, aiming to prevent monopolistic behaviour by Internet platforms to ensure fair competition and strengthen anti-monopoly law enforcement. All companies engaged in Internet platform business must be subject to anti-monopoly supervision. The draft expressly refers to the Anti-Monopoly Law, and set rules to discipline the online market, in compliance with the provisions already stated under the Anti-Monopoly Law.

4.194. Since 4 September 2017, initial coin offerings (ICOs), i.e. fundraising in which virtual currencies (such as Bitcoin) are raised by way of the sale and circulation of digital tokens, are strictly prohibited in China, pursuant to the Announcement on Preventing Risks relating to Fundraising through Token Offerings. Consequently, financial institutions and non-bank payment institutions are prohibited from providing products or services for token fundraising activities, including account opening, registration, trading, clearing, settlement, and other services.

4.195. On 21 March 2018, the PBOC circulated Announcement No. 7, 2018, which allows qualified foreign institutions to provide electronic payment services in respect of both domestic transactions and cross-border transactions. To provide third-party electronic payment services in China, qualified foreign investors must establish a foreign-invested payment institution and obtain a payment business operating licence in accordance with the 2010 Administrative Measures on Payment Services of Non-financial Institutions. In addition, they must store, process, and analyse in Chinese territory all personal information and financial data collected and generated in China. Where international transfers of such information are necessary to process cross-border transactions, the transfer must comply with applicable laws and regulations.

4.196. As a consequence of the reform, on 31 December 2020, the US fintech company PayPal completed a stake acquisition deal that makes it the first foreign company to offer digital payment services in China. PayPal acquired a 30% stake in Gopay, a Chinese provider of electronic payment services, more than a year after its purchase of 70% of Gopay, making it the sole owner.

4.4.2 Telecommunications

4.4.2.1 Overview

4.197. China is the world's largest telecommunications market in terms of mobile, fixed-telephone, fixed-broadband, and mobile broadband subscriptions.[111] In 2020, information, communication, and computer services accounted for 16.5% of total services exports (14.3% in 2019) and 8.7% of total services imports (5.3% in 2019).

4.198. According to the authorities, China's telecommunications policy aims at guiding and facilitating a sound and high-quality development of the information and communication industry, including guiding technological transformation and upgrades, optimizing the allocation of resources and productive factors, improving the accessibility and affordability of information and communication services, maintaining fair market competition environment, safeguarding the legitimate interests of market entities and users, and ensuring network security.

4.199. China's telecommunications market has experienced noticeable development in recent years, in particular with regard to optical broadband, and 4G and 5G networks. As at September 2020, the proportion of optical fibre users reached 93%, and the proportion of 4G users reached 80%. China was ranked 80th of 176 economies in the 2017 International Telecommunication Union (ITU) Information and Communications Technology Development Index, moving up three places from the previous year.[112]

4.200. The main economic characteristics of the telecommunications sector and their recent evolution are described in Box 4.2. Table 4.22 provides average telecom prices in 2019 in China, computed by the ITU as a percentage of the gross national income (GNI) per capita. The authorities indicate that China's telecommunications charges are determined by the market and have been set by telecom companies since 2014. They also note that since 2018 the out-bundle charges for local

[111] ITU (2018), *Measuring the Information Society*. Viewed at: https://www.itu.int/en/ITU-D/Statistics/Documents/publications/misr2018/MISR-2018-Vol-2-E.pdf.

[112] ITU, *ICT Development Index 2017.* Viewed at: https://www.itu.int/net4/ITU-D/idi/2017/index.html.

mobile calls have been in the range of CNY 0.10-CNY 0.15/minute, and the charges for international long-distance calls were CNY 0.49-CNY 2.99/minute, while the charges for local and international calls made by fixed lines have been about CNY 0.10/minute and CNY 0.39-CNY 6.88/minute, respectively.

Box 4.2 Selected indicators of the telecommunications sector, 2020

Total telephone subscribers (per 100 inhabitants): 1.776 billion (126.9)
Mobile phone subscribers (% total telephone subscribers): 1.594 billion (89.8)
Internet users (per 100 inhabitants): 989 million as at end-March 2020 (70.4)
Broadband Internet subscribers: 484 million

Main actors
Number of companies providing value-added telecoms services: about 85,000 nationwide by end-June 2020.
Names and market shares of the leading companies for fixed telecoms services (2020): China Telecom (61.9%), China Unicom (26.0%), and China Mobile (12.1%).
Name and market shares of the leading companies for mobile telephones services (2020): China Mobile (58.8%), China Telecom (22.0%), and China Unicom (19.2%).
Name and market share of the broadband Internet services (2020): China Telecom (38.7%), China Mobile (43.5%), and China Unicom (17.8%).
Foreign ownership participation in telecom companies (2019): In the basic telecoms sector, the proportions of overseas public shares of China Telecom, China Mobile, and China Unicom were 17.15%, 27.28%, and 20.1%, respectively.
By end-2020, a total of 395 foreign-invested enterprises had entered China's telecoms market, mainly engaged in information services and e-commerce-related businesses.
State ownership (2019): In the field of basic telecoms services, the proportions of state-owned shares of China Telecom, China Mobile, China Unicom, and China Broadcasting Network were 82.85%, 72.72%, 52.10%, and 100.00%, respectively.

Source: Information provided by the authorities.

Table 4.22 Telecoms prices as a percentage of GNI per capita, 2019

	China	Asia and Pacific	World
Mobile voice prices (% GNI per capita)	0.4	2.5	4.3
Mobile data prices (% GNI per capita)	1.0	2.7	4.3
Fixed-broadband prices (% GNI per capita)	0.6	6.4	10.3

Source: ICT, *Price Trends 2019*. Viewed at: https://www.itu.int/en/mediacentre/Documents/Documents/ITU-Measuring_Digital_Development_ICT_Price_Trends_2019.pdf.

4.201. According to the ITU, under the universal service policy, which has remained unchanged since the previous Review, enterprises invested more than USD 6.2 billion between 2015 and 2017 to build optical fibre in 130,000 administrative villages, covering 95% of the nation's administrative villages.[113] The authorities did not confirm these figures.

4.4.2.2 Regulatory framework

4.202. The regulatory regime for telecoms services in China has been described in detail in previous Reviews[114] and has remained largely unchanged. The principal statute governing telecoms services remains the 2000 Telecoms Regulations (last amended in 2016). It is supplemented by a large body of implementing regulations covering a wide range of matters, including licensing, fee collection, interconnectivity, and foreign participation. For example, the Classified Catalogue of Telecommunications Services 2015 lists the classifications of basic telecoms service and value-added telecoms service. These classifications affect the licensing and administration of a particular telecoms service. Telecoms licences are granted for a limited scope of operation, i.e. the holder of a telecoms licence is only permitted to carry out the activities specified in the licence.

4.203. The MIIT is the main regulator of the telecommunications and information service market. It is in charge of the licensing and administration of telecoms services and access tariffs and charges.

[113] ITU (2018), *Measuring the Information Society Report 2018*, Vol. 2. Viewed at: https://www.itu.int/en/ITU-D/Statistics/Documents/publications/misr2018/MISR-2018-Vol-2-E.pdf.

[114] Notably in WTO documents WT/TPR/S/375/Rev.1, 13 July 2018, paras. 4.119-4.142; WT/TPR/S/342/Rev.1, 12 October 2016, paras. 4.29-4.43; WT/TPR/S/300/Rev.1, 7 October 2014, paras. 4.37-4.47; WT/TPR/S/264/Rev.1, 20 July 2012, paras. 165-204; and WT/TPR/S/230/Rev.1, 5 July 2010, paras. 83-98.

It is also responsible for formulating national telecoms regulations, standards, and policies. The telecoms administration bureaus of provinces, autonomous regions, and municipalities (the Local Communications Bureaus) under the MIIT are in charge of administrating telecoms services within their jurisdictions, as well as the initial review of applications to operate nationwide.

4.204. The regulations on foreign investment in telecommunications services in China are stipulated in, *inter alia*, the Special Administrative Measures on Access to Foreign Investment (National Negative List) and the Pilot Free Trade Zone Special Administrative Measures on Access to Foreign Investment (PFTZ Negative List). Telecommunications companies are subject to the provision of telecommunications services pursuant to the market opening commitments made at China's accession to the WTO. These specify that the foreign share ratio for value-added telecommunications services (except for e-commerce, domestic multi-party communications, storage-forwarding, and call centres) shall not exceed 50%; for basic telecommunications, the controlling stake shall be held by the Chinese national. Within the PFTZs, there is no restriction on the foreign share ratio for investment in information services (application store only) and Internet access service. For investment in domestic virtual private network (VPN) services, the foreign share ratio shall not exceed 50%.

4.205. Pursuant to the Mainland China and Hong Kong, China/Macao, China Closer Economic Partnership Arrangement, Internet data centre (IDC) services are open to service providers from Hong Kong, China and Macao, China, and the share ratio of Hong Kong, China or Macao, China service providers shall not exceed 50%.

4.206. Since 2018, notable developments in the telecommunications sector have included the launch by China of its first 5G licences, a new law on e-commerce, regulations on cybersecurity, the launch of a number portability programme, measures to promote facility sharing, and a series of measures to further modernize the telecoms sector.

4.4.2.2.1 Developments in 5G

4.207. On 6 June 2019, the MIIT issued the Basic Telecommunication Business Operation License to three state-owned carriers (China Telecom, China Mobile, and China Unicom) and a state-owned broadcasting company (China Broadcasting Network) to approve their operation of "fifth generation digital cellular mobile communication services". As a consequence, the MIIT revised the Telecommunication Services Classification Catalogue (2015) to accommodate the new item. The 2019 revised Catalogue adds "A12-4 Fifth generation digital cellular mobile communication services" to "A12 Cellular mobile communication services" under Category A "Basic telecommunication services". The new item refers to voice, data, multimedia, and other services provided through fifth-generation (5G) digital cellular mobile communication networks. According to the authorities, by end-June 2020, more than 400,000 5G base stations had been built.

4.208. In March 2020, the MIIT issued the Notice on Promoting the Accelerated Development of 5G. It provides guidance for the industry to fully promote 5G network construction, application popularization, technological development, and security assurance.

4.209. In November 2019, the MIIT issued the Plan for Advancing the 512 Program on 5G Plus Industrial Internet, a policy document to facilitate the integrated development of 5G and industrial Internet. It aims to promote the use of 5G technologies to upgrade five public service platforms by 2022.

4.4.2.2.2 Facility sharing

4.210. On facility sharing, the MIIT continues to require basic telecommunications enterprises to carry out infrastructure construction in accordance with the requirements of sharing basic telecommunications facilities or co-construction. In addition, Internet access service providers in China can provide Internet access services to users by leasing the network resources from basic telecommunications companies and wired access facilities service providers. In June 2020, China issued the Implementation Opinions on Supporting the Accelerated Development of 5G Networks Through the Co-construction and Sharing of Telecommunication Infrastructure. According to the authorities, as at end-June 2020, the sharing rate of newly built towers in China stood at 90%, which

is equivalent to sharing the construction of 780,000 towers and saving a total of CNY 140 billion. As at end-2020, China's telecom operators had opened more than 330,000 shared 5G base stations.

4.4.2.2.3 Number portability

4.211. In November 2019, in order to further improve the service quality of the telecommunications industry, China officially rolled out a mobile number portability programme, which allows mobile users to keep their phone numbers when switching to a new mobile provider. According to the authorities, as at end-2020, 19.18 million subscribers had taken advantage of number portability, accounting for 1.48% of the total number of mobile subscribers. As a first step in this programme, the MIIT had carried out a number portability trial in Tianjin and Hainan Provinces in November 2010 and expanded it to five provinces in 2017. As at end-June 2017, number portability had been employed by more than 790,000 subscribers in five provinces.[115]

4.4.2.2.4 Spectrum management

4.212. There were also new developments in the framework of spectrum management. In 2019, the MIIT promulgated provisions on the management of the use of the frequencies of enhanced Machine-Type Communication (eMTC) systems, specifying the usage frequency of eMTC systems, the management requirements of base station terminals, and other content. The Ministry also issued Announcement No. 52, 2019, which defines the catalogue, radio frequency specifications, and management requirements of micro-power short-range radio transmitting equipment, with a view to further standardizing the management of such equipment.

4.4.2.2.5 Cloud computing

4.213. The authorities state that since the previous Review, no substantial progress has been made with regard to cloud-enabled services regulations. The Notice on Standardizing Cloud Service Market and Facilitating the Sound Development of the Industry, which was adopted in 2017, has not yet been implemented. However, the authorities note that the Notice sets a clear path and institutional guarantees for foreign investors to participate in China's market for cloud-enabled services. While cloud services are not open to foreign investment[116], the authorities allow the joint provision of cloud services through contractual partnerships between Chinese and foreign enterprises, where the Chinese enterprise applies for a cloud services licence to conduct a partnership with a foreign-invested enterprise.

4.4.2.2.6 Cybersecurity

4.214. The Cybersecurity Law, which entered into force on 1 June 2017, remains in force; it aims "to ensure network security, to safeguard cyberspace sovereignty, national security and the societal public interest, to protect the lawful rights and interests of citizens, legal persons and other organizations, and to promote the healthy development of economic and social informatization". Article 37 of the Law requires "critical information infrastructure" operators (CIIOs) to store within the mainland of China all personal information and "important data" gathered or produced within the mainland of China.[117] The Law further stipulates conditions regarding a security assessment of locally stored data. During the review period, in order to implement the Law, several regulations, administrative measures, and technical specifications were adopted or published for public comment. According to the authorities, regulations concerning CIIOs are being drafted. On 28 May 2019, the Cyberspace Administration of China (CAC) released, for public comment, draft measures to clarify the definition of "important data". In addition, the Draft Measures on Security Assessment of Cross-Border Transfer of Personal Information were released on 13 June 2019. With respect to cross-border transfer of scientific data, on 17 March 2018, the Measures for the Administration of Scientific

[115] WTO document WT/TPR/S/375/Rev.1, 13 July 2018.

[116] In China's Classification Catalogue of Telecommunications Services (2015 Version), cloud services are a form of Internet data centre (IDC) services for which China did not make a commitment when it acceded to the WTO.

[117] Article 31 states that operators in the following sectors are liable to be designated as CIIOs: public communication and information services, power, traffic, water resources, finance, public service, e-government and other critical information infrastructure that if destroyed, suffer a loss of function, or experience a data leak might seriously endanger national security, national welfare, the people's livelihood, or the public interest.

Data took effect. The Measures include basic rules for managing scientific data in China and would, *inter alia*, regulate cross-border transfers of this type of data.

4.215. Regarding network security, Article 21 of the Cybersecurity Law stipulates that China shall implement a tiered system of network security protection, in which network operators are required to comply with a Multi-Level Protection Scheme (MLPS). Network operators shall, according to the requirements of the tiered system, fulfil security protection obligations. The tiered system is a basic system in the field of network security determined by law. Network operators shall, in accordance with the significance of their networks in such factors as national security, economic construction and social life, and the severity of the harm to national security, social order, public interest, and the legitimate rights and interests of citizens, legal persons, and other organizations, determine the level of security protection according to the degree of harm to the factors. There are five levels of network security protection, escalating from Level 1 to Level 5. A network at Level 2 or above shall be filed with a public security authority at or above the prefectural level. In order to implement the tiered system, China issued a series of technical standards, and improved the standard system with technological innovation and development. In line with the MLPS's implementation, the SAMR issued a series of national standards on 13 May 2019, to provide detailed technical requirements for enhancing the MLPS.[118] These new national standards, together with the Regulation on the Cybersecurity Multi-level Protection Scheme (which came into force on 1 December 2020), constitute a substantial base for what is referred to as MLPS 2.0, as they impose heightened regulatory requirements compared with MLPS 1.0. Public security organs have strengthened their supervision, inspection, and guidance on the implementation of the tiered system to ensure the security of network operation. Any network operator who fails to perform the security protection obligations as prescribed by Article 21 shall be punished in accordance with Article 59 of the Cybersecurity Law.

4.216. The Regulation on Internet Security Supervision and Inspection by Public Security Organs (promulgated on 15 September 2018 and came into effect on 1 November 2018) is another regulation along the lines of Internet protection in China.[119] It regulates the authorities of Public Security Bureaus (PBSs) in inspecting Internet service providers, including Internet information providers, Internet cafes, and data centres. Under the Regulation, PBSs must comply with legal authorities and procedural requirements when entering business sites, reviewing and copying relevant information, and checking technical measures in place to safeguard network and information security.

4.217. The Encryption Law was also enacted on 26 October 2019 and came into effect on 1 January 2020.[120] It encourages enterprises to voluntarily apply to qualified testing and certification agencies for the testing and certification of their commercial encryption products. However, testing and certification might be mandatory for certain commercial encryption products and services that may affect "national security, national welfare and people's livelihood, and society's interest" and shall be included in the Catalogue of Critical Network Equipment and Network Security-specific Products.[121]

4.218. In China's ongoing efforts to regulate its cyber domain, on 17 January 2017, the MIIT issued the Circular on Cleaning up and Regulating the Internet Access Service Market, which is legislation that prohibited the use of VPNs as at 31 March 2018. However, it would appear that companies in China can still apply to the Government to offer VPNs for commercial purposes.

4.219. There were also new developments regarding the protection of personal information. On 6 March 2020, the SAMR and the Standardization Administration of China (SAC) jointly published the Information Security Technology – Personal Information (PI) Security Specification (GB/T 35273-2020) to replace the 2017 version (GB/T 35273-2017). The Specification took effect on 1 October 2020. The Specification is a national standard (not mandatory, in principle), as well as

[118] These standards include: Information Security Technology – Baseline for Classified Protection of Cybersecurity (GB/T 22239-2019); Information Security Technology – Technical Requirements of Security Design for Classified Protection of Cybersecurity (GB/T 25070-2019); and Information Security Technology – Evaluation Requirements for Classified Protection of Cybersecurity (GB/T 28448-2019).

[119] State Council. Viewed at: http://www.gov.cn/gongbao/content/2018/content_5343745.htm.

[120] NPC. Viewed at: http://www.npc.gov.cn/npc/c30834/201910/6f7be7dd5ae5459a8de8baf36296bc74.shtml.

[121] CAC, *Critical Network Equipment and Special Network Security Product Catalog (First Batch)*. Viewed at: http://www.cac.gov.cn/2017-06/09/c_1121113591.htm.

a recommended guideline that reinforces the Cybersecurity Law.[122] The authorities rely on it as a benchmark to determine whether business operators follow the country's data protection rules. The 2020 Specification seeks to ensure that individuals or entities that provide their PI (subjects) have a certain degree of autonomy. It also regulates the behaviour of those who collect PI for providing a product or service (controllers). On some issues, such as the collection of biometric data or when sharing and transferring PI, the Specification states that controllers must obtain explicit consent, i.e. an authorized statement on either paper or an electronic format affirming the collector has the right to process the PI of the subject. Collectors are also required to inform subjects on their intended purposes, method of collection, scope, and storage time. Regarding cross-border transfer, Article 9.8 of the Specification states that PI collected and generated in China can be transferred overseas, but the controller must comply with all relevant national regulations and standards. On the specific legislation concerning PI protection, on 21 October 2020, China published for public comment the first draft of the Personal Information Protection Law[123], the country's first comprehensive law regulating, *inter alia*, the processing of PI.[124]

4.220. China also implemented the provision of the Cybersecurity Law concerning national security review requirements for CIIOs purchasing certain network products and services. This was made through the Measures on Cybersecurity Review, and was jointly adopted on 27 April 2020 (effective 1 June 2020) by the CAC and 11 other government agencies.[125] The Measures seek to implement Article 35 of the Cybersecurity Law, which established a cybersecurity review requirement on network products and services procured by CIIOs. Purchases of network products or services with a potential effect on national security are subject to the cybersecurity review system outlined under the Measures. Such network product and services include core network devices, high-performance computers and servers, mass storage devices, large databases and application software, network security devices, cloud computing services, and other network products and services that have a significant impact on the security of the critical information infrastructure.

4.221. The Measures establish an interagency cybersecurity review body, which consists of members from 12 government agencies – the CAC, the NDRC, the MIIT, the Ministry of Public Security, the Ministry of National Security, MOFCOM, the Ministry of Finance, the PBOC, the SAMR, the National Radio and Television Administration, the National Administration of State Secrets Protection, and the State Cryptography Administration – and is led by the CAC. The Office of Cybersecurity Review is established in the CAC.

4.222. Under the Measures, CIIOs shall conduct an assessment of potential national security risk exposure prior to the procurement of network products or services. If the self-assessment identifies a national security risk, the CIIO shall report the case to the Office of Cybersecurity Review for a cybersecurity review. However, if a member of the interagency cybersecurity review body believes the network products or services used by the CIIO affect or may affect national security, the Office of Cybersecurity Review shall report the case to the CAC and initiate a cybersecurity review without an application from a CIIO.

4.4.2.2.7 E-commerce

4.223. On 31 August 2018, the Standing Committee of the NPC passed the E-commerce Law, which came into force on 1 January 2019. The Law applies to all business activities of selling goods and/or providing services through information networks such as the Internet, with the exception of financial products and services or services that provide news, audio, and video programmes; publications; or cultural products. It contains provisions on, *inter alia*: (i) the definitions of e-commerce operators, e-contracts, and e-payments; (ii) guarantees for e-commerce transactions; (iii) data protection and promotion of consumer protection; (iv) fair competition and mechanisms for dispute resolution; (v) cross-border commerce; and (vi) the provision of substantial civil and criminal penalties.

[122] Dai, K. and Deng, J. (2019), "A 15-Step Guide to Data Protection, Privacy and Cybersecurity in China", *Swiss Chinese Law Review Journal*, Issue 2. Viewed at: https://www.sclalawreview.org/a-15-step-guide-to-data-protection-privacy-and-cybersecurity-in-china/.

[123] China Law Insight, *Personal Information Protection Law (Draft): A New Data Regime*, 11 November 2020. Viewed at: https://www.chinalawinsight.com/2020/11/articles/compliance /personal-information-protection-law-draft-a-new-data-regime/.

[124] NPC. Viewed at: http://www.npc.gov.cn/flcaw/more.html.

[125] CAC. Viewed at: http://www.cac.gov.cn/2020-04/27/c_1589535450769077.htm.

4.224. According to Article 2 of the E-commerce Law, e-commerce refers to business activities that sell goods or provide services via information networks like the Internet. Article 9 further defines e-commerce operators to be natural persons, legal persons, and unincorporated organizations that engage in the business activities of selling merchandise or providing services on the Internet or other information networks. As such, the E-commerce Law mainly applies to the following three types of operators: (i) platform operators, i.e. any legal persons or unincorporated organizations that provide a space for digital business, transaction matching, information release, and other services to facilitate parties in an e-commerce transaction; (ii) operators on platforms, i.e. third-party merchants that sell goods or provide services on e-commerce platforms; and (iii) online sellers, i.e. other e-commerce players doing business through their own websites or through other online channels, such as social media applications.

4.225. By law, all e-commerce operators, except individuals who sell their own agricultural products or handcrafts or who carry out sporadic and small transactions, are required to obtain a business licence. E-commerce operators must fulfil their taxation obligations and could enjoy preferential tax treatments according to relevant laws and regulations.

4.226. Regarding intellectual property (IP) protection, the E-commerce Law holds liable both counterfeiters and e-commerce operators that fail to take appropriate measures to prevent sellers in violation of intellectual property rights (IPRs). It also provides that IP holders can notify a platform owner of an alleged infringement, and the platform owner has the obligation to prevent the trade of the infringed good pending investigation. Platform operators that fail to fulfil their responsibilities in terms of IP protection within a specified time period are punishable by a fine ranging from CNY 50,000 to CNY 2 million.

4.227. Article 17 of the E-commerce Law further fosters consumer protection by requiring e-commerce operators to disclose truthful, accurate, and timely information concerning commodities or services and to avoid engaging in misleading and deceptive practices.

4.228. Article 22 of the E-commerce Law spells out fair competition obligations for all e-commerce operators, with special emphasis on those with dominant market positions. Operators with advantages in the market due to technology or number of users are prohibited from abusing their position to exclude or restrict competition.

4.229. On consumers' privacy protection, pursuant to Articles 23 and 24 of the Law, e-commerce operators must abide by existing Chinese laws and regulations in respect of protection of personal data when collecting and using users' personal data. The Law further requires e-commerce operators to expressly specify to users the procedures for inquiring about, correcting, and deregistering their accounts. Operators are required to deal with personal data in a timely manner if users request to see, correct, or delete their data. Further efforts are also ongoing in connection with personal data protection, as China unveiled its draft of the Personal Data Protection Law for public consultation on 21 October 2020. Once adopted, the Law will, *inter alia*, clarify state agencies' role in protecting individuals' data and implement consent-based rules for processing information.

4.230. Regarding foreign business, the E-commerce Law provides that China shall encourage cross-border e-commerce (CBEC) development. In practice, the authorities have been promoting CBEC (activities of purchasing or selling products via online shopping across national borders). On 27 April 2020, the State Council issued the Approval of the Establishment of Integrated Pilot Areas for Cross-border E-commerce in 46 Cities and Areas (Guo Han No. 47, 2020). This brought the total number of CBEC pilot zones to 105. In December 2019, the authorities extended the List of Goods under Cross-border E-commerce Retail Importation to allow more foreign goods to be delivered to Chinese consumers through the CBEC retail importation programme.[126]

4.231. Oversees enterprises involved as vendors in CBEC must be registered with the General Administration of Customs (GACC). In practice, they must entrust a Chinese company as "domestic agent" to handle the registration procedures. The domestic agent must be a legal entity registered with the SAMR.[127] They must also designate a Chinese agent, which will be held directly accountable by the authorities for consumer complaints, product recall, and other product quality or safety

[126] MOFCO. Viewed at: http://cws.mofcom.gov.cn/article/swcjzc/202001/20200102929369.shtml.

[127] Announcement on Matters Concerning the Supervision of Retail Imports and Exports in Cross-Border E-commerce (GACC Announcement No. 194, 2018).

obligations. Domestic enterprises shall undergo registration formalities with Customs in their location, in accordance with the provisions on the administration of the registration of customs declaration entities.[128]

4.232. CBEC pilot areas have promoted the development of innovative systems such as import e-commerce platforms, export e-commerce platforms, third-party payment platforms, and logistics companies.

4.233. The E-commerce Law provides that e-commerce disputes can be settled by: (i) negotiating; (ii) requesting mediation by consumer organizations, industry associations, or other legally established mediating organizations; (iii) filing complaints with relevant authorities; (iv) filing for arbitration; or (v) instituting legal proceedings. Additional measures to bolster e-commerce include the establishment of Internet courts. Internet courts in Beijing and Guangzhou were formally established in September 2018, following the opening of China's first Internet court in Hangzhou in 2017 (Section 2.1). Internet courts were established to hear matters relating to e-commerce and online transactions. In general, the entire litigation process is conducted online. Internet courts may decide to complete part of the litigation process offline, upon application by the litigants or due to the needs of trying cases. In September 2018, the Supreme People's Court also issued the Provisions on Several Issues Concerning the Trial of Cases by Internet Courts, to regulate the litigation activities of Internet courts.

4.4.3 Transport

4.234. The share of transport, storage, and communication in GDP decreased from 4.4% in 2018 to 4.1% in 2020 (Table 1.2). Transportation is one of China's major traded services; during the review period, China maintained a slight deficit in transportation services trade. In 2018, there were 1.8 million people employed in the railway transportation sector, 3.6 million in road transport, 0.4 million in water transport, 0.6 million in air transport, and 0.03 million in pipeline transport. Around 0.3 million people were employed in the associated industries of intermodal transport and forwarding agencies, and 0.4 million people in loading, unloading, and storage.[129]

4.235. In value terms, shipping is the main mode of transport for imports and exports of merchandise goods (Table 4.23). Data were not available on the volume of merchandise trade transported through the different modes.

Table 4.23 Value of merchandise goods imported to and exported from China through different transport modes, 2018-20

(USD million)

	2018	2019	2020
Maritime transport			
- Imports	1,191,383.7	1,172,461.0	1,033,210.4
- Exports	1,655,367.9	1,660,002.5	1,502,594.3
Air transport			
- Imports	502,385.0	488,220.0	450,972.1
- Exports	402,449.4	405,995.6	410,163.5
Railway transport			
- Imports	20,284.2	20,284.7	22,989.2
- Exports	29,618.1	34,887.5	49,049.1
Road transport			
- Imports	364,768.3	338,584.4	314,322.7
- Exports	376,464.6	366,397.6	327,853.0

Source: Information provided by the authorities.

4.236. The Ministry of Transport (MOT) remains responsible for road, water, and air transport, as well as administration of rail transport.

[128] Announcement on Launching the Pilot Program of Supervision over Business-to-Business Export in Cross-Border E-commerce (GACC Announcement No. 75, 2020).

[129] National Bureau of Statistics, *China Statistical Yearbook 2019*. Viewed at: http://www.stats.gov.cn/tjsj/ndsj/2019/indexeh.htm.

4.4.3.1 Maritime transport

4.237. China is the world's third ship owning country in terms of cargo-carrying capacity, accounting for 6,896 ships in 2020 with a total dead weight tonne (DWT) capacity of 128,892,849. More than 4,500 of these ships operated under the national flag (43.56% of total in DWT terms), while 2,300 Chinese-owned ships operated under a foreign flag (56.44% of total in DWT terms).[130] In order to encourage qualified Chinese-funded international "Flag of Convenience" ships to return to China, ships that were declared for import and were registered between September 2016 and September 2019 were exempt from customs duties and import VAT.[131] A total of 80 vessels were approved for duty-free import, of which 39 vessels went through registration procedures in China.

4.238. China's main shipping law is the Maritime Law, which became effective in 1993.[132] There were no amendments to the Law during the review period. China's commitments related to maritime transport under the General Agreement on Trade in Services (GATS) are described in detail in a previous Review.[133]

4.239. China's major state-owned shipping companies include China COSCO Shipping Corporation Limited (COSCO Shipping) and China Merchants Group. COSCO Shipping is the world's biggest shipping company, with a fleet of 1,371 vessels with a combined capacity of 109.33 million DWT. Reportedly, it has the world's biggest container fleet, as well as dry bulk vessels, tankers, and general and specialized cargo vessels.[134] The shipping activities of the conglomerate China Merchants Group are undertaken through its subsidiaries China Merchants Energy Shipping Co. Ltd. (which specializes in energy and bulk cargo transportation), Xunlong Shipping, and Hong Kong, China Ming Wah Shipping Co. Ltd. Reportedly, China Merchants Group is the world's fourth-largest energy transportation enterprise.

4.240. There have been no changes to China's maritime cabotage policies during the review period; domestic water transport companies are required to have Chinese parties as the controlling shareholders (Table A2.3). The Maritime Law stipulates that maritime transport and towage services between ports in China must be undertaken by ships flying the Chinese flag, except as otherwise provided for by laws or administrative regulations. The Regulations on the Administration of Domestic Water Transport stipulate that operators of water transport may not operate domestic water transport business with foreign ships. However, with the permission of the competent department of transport under the State Council, operators of water transport may temporarily operate a transport business with foreign ships subject to time and voyage limitations. Between January 2018 and February 2020, eight foreign ships were so authorized.

4.241. In 2019, the State Council issued the Decision on Revising Certain Administrative Rules and Regulations (State Council Decree No. 709), and revised the Regulations on International Maritime Transportation, which lifted the restrictions on foreign investment in international shipping and international shipping agency services in China.[135] Previously, international maritime companies were limited to Chinese-foreign equity/cooperative joint venture operations.[136] The authorities confirm that there are no requirements for government cargo to be transported on domestically flagged ships.

[130] UNCTAD (2020), *Review of Maritime Transport 2020*. Viewed at: https://unctad.org/system/files/official-document/rmt2020_en.pdf.

[131] Notice of the State Taxation Administration of the Ministry of Finance and the General Administration of Customs on the List of the Fourth Batch of Chinese-funded "Flags of Convenience" Vessels Enjoying Import Tax Preferential Policies. Viewed at: http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c29917165/content.html.

[132] Maritime Law of the People's Republic of China. Viewed at: http://www.lawinfochina.com/display.aspx?lib=law&id=191.

[133] WTO document WT/TPR/S/264/Rev.1, 20 July 2012.

[134] COSCO Shipping, *Group Profile*. Viewed at: http://en.coscoshipping.com/col/col6918/index.html.

[135] Regulations on International Maritime Transportation, as revised in 2019. Viewed at: http://www.gov.cn/zhengce/content/2019-03/18/content_5374723.htm.

[136] Catalogue of Industries for the Guidance of Foreign Investment (2017 Revision), referenced in WTO document WT/TPR/S/375/Rev.1, 14 September 2018.

4.242. In 2018, the Ship Tonnage Tax Law was enacted, at the same time the Provisional Regulations of the Ship Tonnage Tax were repealed.[137] Ships entering domestic ports from ports outside China are subject to a ship tonnage tax. The Law sets preferential rates for Chinese taxable ships and taxable ships whose country of registry has signed treaties or agreements that mutually grant MFN treatment clauses of ship taxes and fees. For other taxable ships, the ordinary tax rate applies. The tax is levied in accordance with the net tonnage of the ship and the duration of the tonnage tax licence. The tonnage tax payable is calculated by multiplying the net tonnage of the ship by the applicable tax rate (Table 4.24). Various exemptions apply, including fishing and breeding fishing boats. The passage of the Law does not change the tax framework and burden, but it does raise the status of the previous administrative regulation to NPC law (as required by the 2015 amendment to the Law on Legislation).[138]

Table 4.24 Ship tonnage tax rates, 2020

	Ordinary tax rate according to licence period			Preferential tax rate according to licence period		
	1-year licence	90-day licence	30-day licence	1-year licence	90-day licence	30-day licence
No more than 2,000 net tonnes	12.6	4.2	2.1	9.0	3.0	1.5
2,000-10,000 net tonnes	24.0	8.0	4.0	17.4	5.8	2.9
10,000-50,000 net tonnes	27.6	9.2	4.6	19.8	6.6	3.3
Over 50,000 net tonnes	31.8	10.6	5.3	22.8	7.6	3.8

Source: FAO, *Vessel Tonnage Tax Law of the People's Republic of China*. Viewed at: http://www.fao.org/faolex/results/details/en/c/LEX-FAOC172978/.

4.243. According to the authorities, during the COVID-19 pandemic, the MOT established an International Logistics Guarantee Coordination Mechanism, and set up international logistics work shifts for 24-hour entity operations and offered various guarantee measures for maritime transportation enterprises, including temporarily exempting port construction charges of imported or exported goods (Section 3.1.4), reducing cargo dues and port facility security charges, extending vessel certificates, offering online seaman training and licence renewal, formulating pandemic prevention guides, and assisting shipping companies in changes of shifts by seamen.

4.244. By end-2019, China had 408 ports. According to United Nations Conference on Trade and Development (UNCTAD), in 2019, four of China's ports were in the top five global container ports (in order of throughput: Shanghai, Ningbo-Zhoushan, Shenzhen, and Guangzhou).[139] The authorities state that no state-owned ports are operated by third parties (including foreign companies) under concession agreements. There are no restrictions on the share ratios of FDI in investment in Chinese ports. Information was not available as to whether there is any foreign investment in Chinese ports in practice. Various SOEs provide port services.

4.245. The Port Law is the main law governing the construction and operation of ports. In 2018, China revised the Law to allow port tally businesses to operate without having to obtain a permit.[140]

4.246. According to the Catalogue of Central Determined Prices and the Regulation on Port Charges, port operating service charges are divided into market-regulated price, government-guided price, and government pricing. Among them, the government-guided and government-priced port charges

[137] FAO, *Vessel Tonnage Tax Law of the People's Republic of China*. Viewed at: http://www.fao.org/faolex/results/details/en/c/LEX-FAOC172978/.

[138] Library of Congress, *China: Tobacco Leaf Tax and Vessel Tonnage Tax Laws Passed*, 19 January 2018. Viewed at: https://www.loc.gov/law/foreign-news/article/china-tobacco-leaf-tax-and-vessel-tonnage-tax-laws-passed.

[139] UNCTAD (2020), *Review of Maritime Transport 2020*. Viewed at: https://unctad.org/system/files/official-document/rmt2020_en.pdf.

[140] FAO, *Law of the People's Republic of China on Ports* (Port Law). Viewed at: https://www.ecolex.org/details/ legislation/law-of-the-peoples-republic-of-china-on-ports-2015-lex-faoc155111/?q=china&type=legislation&xdate_min=&xdate_max=. The Port Law was amended in 2018 in accordance with the Decision of the Standing Committee of the National People's Congress to Amend Four Laws Including the Electric Power Law (Order No. 23 of the President). Viewed at: http://www.npc.gov.cn/zgrdw/npc/xinwen/2019-01/07/content_2070259.htm. Port tally business is the provision of services, such as tallying and the checking of the apparent condition of cargo for the consignor, in the cargo handover process.

are decided by the MOT and the NDRC. Market-set port charges, such as port handling lump sum charges, may be set by port operators themselves.

4.247. With respect to completion of major port infrastructural works in recent years, the authorities indicate that in December 2017 Phase IV of the Automated Container Terminal of Yangshan Port in Shanghai was completed and put into operation; reportedly, this terminal is the world's largest single fully automated terminal. In 2019, Phase II of the Yangtze River Nanjing Section Deepwater Channel Project was officially put into use. As notified to the WTO, China offers preferential tax policies for Chinese-foreign equity joint ventures engaged in port and dock construction, as well as for public infrastructure projects that are particularly supported by the State.[141]

4.4.3.2 Air transport

4.248. The Civil Aviation Administration of China (CAAC) remains the main regulator of the air transport industry. The strategy for the sector is contained in the 13th Five-Year Plan for the Development of China's Civil Aviation.[142] Additionally, the Program of Building National Strength in Civil Aviation in the New Era was issued on 10 December 2018; it outlines strategic plans, 8 major tasks, and 33 key measures for the future development of civil aviation.[143] In December 2018, minor amendments were made to the Civil Aviation Law.[144] During the review period, regulations on foreign civil aircraft flight management, civil airport management, and civil aircraft nationality registration were slightly revised.

4.249. Air connectivity has continued to increase; the number of international routes grew from 739 in 2016 to 953 in 2019, and the number of domestic routes increased from 3,055 to 4,568 over the same period.[145]

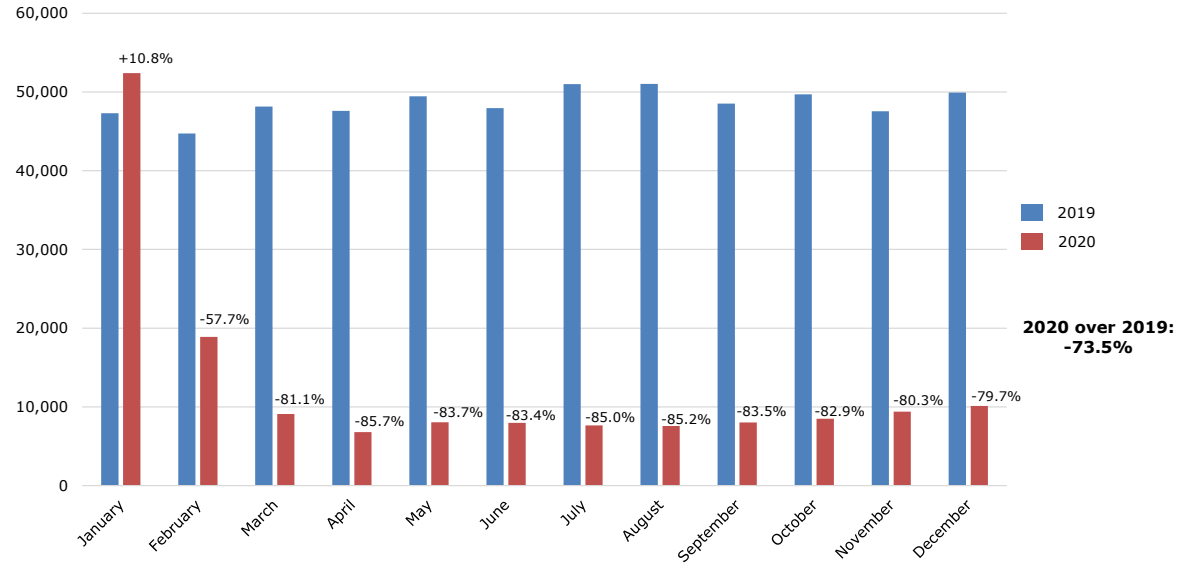
4.250. As at end-2020, 67 airlines were established in China; 50 were state owned, 9 have foreign equity participation, and 8 are listed as stock companies. The CAAC has approved 14 private or private-holding airlines. Information was not available as to whether it is required for persons or goods to be transported on nationally registered airlines. Restrictions on foreign investment in civil aviation remain unchanged.

4.251. International scheduled passenger and freight transportation are regulated by bilateral air services agreements. Since January 2018, China has signed new air service agreements with Congo (January 2018), Côte d'Ivoire (June 2018), Rwanda (July 2018), Dominica (November 2018), the European Union (May 2019), the Bahamas (September 2019), and Member States of the Association of South East Asian Nations (ASEAN) (Protocol III, November 2019). Cabotage remains reserved to domestic airlines.[146] The passenger fares of the domestic civil air routes are subject to prices guided by the Government (except for competitive areas). Airlines are permitted to raise the fare by no more than 25% of a benchmark fare. The rationale for maintaining price control is that competition has not yet developed in some areas of the passenger transportation industry in domestic civil air routes.

4.252. As a consequence of the COVID-19 outbreak, international passenger flights from China dropped dramatically from February 2020, as compared with February 2019, and have remained at a low level (Chart 4.9). The domestic passenger transport segment also declined significantly in February 2020, as compared with February 2019, but recovered by end-2020 (Chart 4.10).

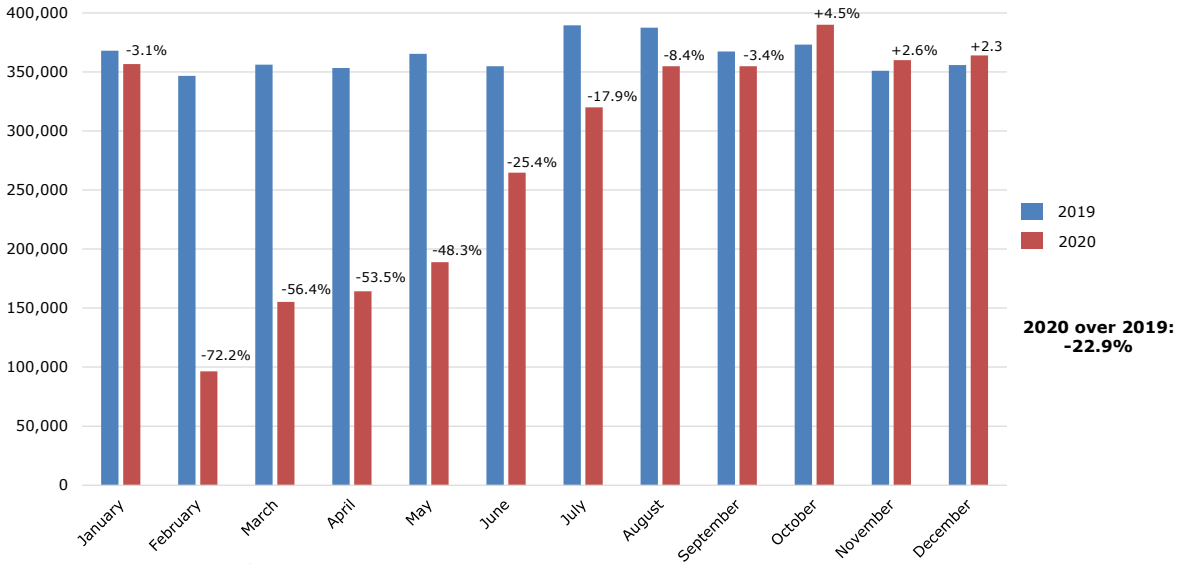
[141] WTO document G/SCM/N/343/CHN, 19 July 2019.
[142] CAAC, *13th Five-Year Plan for the Development of China's Civil Aviation*. Viewed at: http://www.caac.gov.cn/XXGK/XXGK/FZGH/201704/t20170405_43502.html.
[143] CAAC, *Program of Building National Strength in Civil Aviation in the New Era*. Viewed at: http://www.caac.gov.cn/XXGK/XXGK/ZCFB/201812/t20181212_193452.html.
[144] CAAC, *Civil Aviation Law* (as revised in 2018). Viewed at: http://www.caac.gov.cn/XXGK/XXGK/FLFG/201510/t20151029_2777.html. The amendments were as follows: civil airports other than those open to the public shall be put on record; the "quarantine" in Article 103 was deleted; and the drone authorization clause was included in the Law.
[145] National Bureau of Statistics, *China Statistical Yearbook 2019*. Viewed at: http://www.stats.gov.cn/tjsj/ndsj/2019/indexeh.htm; and updated information provided by the authorities.
[146] WTO document WT/TPR/S/264/Rev.1, 20 July 2012.

Chart 4.9 International passenger flights, January to December, 2019 and 2020



Source: ICAO, *Operational Impact on Air Transport*. Viewed at: https://data.icao.int/coVID-19/operational.htm.

Chart 4.10 Domestic passenger flights, January to December, 2019 and 2020



Source: ICAO, *Operational Impact on Air Transport*. Viewed at: https://data.icao.int/coVID-19/operational.htm.

4.253. In order to respond to the COVID-19 outbreak and mitigate its impact on the development of the aviation industry, the CAAC has taken the following measures: (i) the Guidelines for Preventing Spread of Coronavirus Disease 2019 (COVID-19) Airlines and Airports were issued and updated seven times; (ii) the pandemic prevention and control measures for civil aviation operations were adjusted and refined according to the needs of epidemic prevention and control; prevention measures on both human beings and goods were strengthened; and prevention and control requirements for cargo flights and cargo operations were enhanced; (iii) management measures for international operation crews were formulated to ensure the smooth flow of international passengers and cargo; (iv) supportive policies were introduced in early 2020 and have been implemented (Table 4.25); (v) the management of cargo routes and flights was optimized; (vi) a "green channel" for the approval of international cargo flights was opened and is available 24 hours a day and 7 days a week, so as to support the resumption of airlines; this has reportedly greatly reduced approval times and simplified approval procedures; and (vii) airlines were supposed to use surplus passenger

plans to carry cargo and implement "passenger-to-cargo" flights under the premise of ensuring safety.

Table 4.25 CAAC policies supporting active response to the COVID-19 outbreak

Areas	Policies
Proactive financial and economic policies	• Implement favourable policies, including exemption from payment by airlines into civil aviation development fund for landing. Ensure preferential measures for the civil aviation industry are effectively implemented. • Implement policies of financial support from the Central Government treasury during the COVID-19 outbreak to international scheduled passenger flights and major transport flight missions deployed by the Joint Prevention and Control Mechanism of the State Council. • Add incentive support for epidemic containment missions carried out by general aviation enterprises by fully leveraging on existing subsidy policies.
Fee reductions and burden alleviation	• Airport authorities to exempt airlines from charges associated with the operation of air transport services and ground handling for major transport flight missions deployed by the Joint Prevention and Control Mechanism of the State Council. Air traffic control entities to exempt airlines from approach command charges and route navigation service charges. • Reduced charges for airports and air navigation services on domestic and foreign airlines and airlines from Hong Kong, China; Macao, China; and Chinese Taipei regions. Reduced benchmark for landing charges at Category I and II airports by 10%; reduced benchmark of difference between purchase and sales of jet fuel for domestic flights of domestic airlines by 8% (effective from 23 January 2020). • Information service providers and subordinate public entities and companies of the CAAC are encouraged to reduce current charges as appropriate.
Infrastructure investment expansion	• Airport authorities, relevant operation support entities, and civil aviation medicine research institutions may apply for subsidies from civil aviation development fund for urgent procurements or R&D of dedicated fixed facilities and equipment for epidemic containment purposes. • Support for orderly start and resumption of major construction projects in a scientific manner. Online channels available for project applications to facilitate acceleration of pre-project formalities and coordinate solutions for priorities and difficult problems with project start and resumption. Major and emergency construction projects encouraged to use available trade centres to accelerate bidding process. Major infrastructure projects of hub airport building, poverty alleviation, and Blue Sky Protection Campaign to be started/resumed as a matter of priority. Aim is to complete an annual fixed asset investment of CNY 100 billion. • Implement current civil aviation development fund-related policies to better support airlines in improving safety capabilities. Expand investments in airlines' projects of safety, security, flight operation quality oversight, and application of satellite navigation and other new technologies. Support safety upgrade modifications of airlines' airborne equipment, and arrange full subsidy from civil aviation development fund for B737NG aircraft data frame expansion projects. • Support planning and construction of strategic infrastructure projects of air traffic control, IT, fuel supply, and others related to national, industrial, and public interests by increasing government funding.
Air transport development facilitation	• Increase policy flexibility for introducing aircraft transport capacity. Encourage and guide airlines to optimize current capacity and streamline capacity introduction procedures. • Improve approval administration of routes and flights to enable airlines to make dynamic adjustments to flight plans, international route structure, and traffic rights entitlement and capacity in line with market demands, by streamlining routes, flight approval procedures, and slot coordination procedures, and shorten time for approval on start or resumption of international route operation. • Extend flight schedule for the 2019 winter season until 2 May 2020, suspending evaluation of airlines regarding flight schedule execution rate, slot resource utilization rate, and flight regularity rate. Actively develop slot policies for flight rescheduling, taking into consideration needs of airlines to resume operation, exempting domestic flights from evaluation of slot execution rate for the 2020 summer season, and allowing orderly circulation of slots in domestic, international, and regional slot pools in light of changes in market demands for the 2020 summer season. • Actively support and assist airlines with their special operation requirements during the COVID-19 outbreak and traffic right and slot issues encountered in resumption of international route operation, and maintain close communication and coordination with relevant national civil aviation authorities regarding these issues.

Areas	Policies
Administrative service optimization	• Adjust working methods of administrative approval by enabling online processing and off-site processing channels. Optimize approval procedures and introduce informing and committing mechanism to improve approval efficiency. • Transform regulation method, improve oversight performance, reduce on-site supervision, and make full use of new regulation modes, such as off-site supervision.

Source: CAAC International Cooperation and Service Centre, *Notice of CAAC on Policies Supporting Active Response to COVID-19 Outbreak*, 29 April 2020. Viewed at: http://www.icscc.org.cn/en/content/details_98_1939.html.

4.254. By end-2019, China had 238 certified transportation airports, of which 59 were international. The Special Administrative Measures for Access of Foreign Investment (National Negative List) (2020) stipulate that the construction and operation of civil airports must be relatively controlled by Chinese parties and that foreign parties are prohibited from participating in the construction and operation of airport towers (Table A2.3); foreign parties may participate in the construction and operation of airports in accordance with this provision. There have been no changes to the rules on computer reservation services, repair and maintenance services, and ground-handling services during the review period.[147] China's GATS commitments in air transport were described in a previous Review.[148]

4.255. The authorities indicate that major airport infrastructure projects undertaken during the review period included the new project of Beijing Daxing International Airport and the Phase III Expansion Project of Shanghai Pudong International Airport.

[147] China's rules on computer reservation systems are described in WTO document WT/TPR/S/300/Rev.1, 7 October 2014. Its rules on repair and maintenance services and ground-handling services are described in WTO document WT/TPR/S/264/Rev.1, 20 July 2012.

[148] WTO document WT/TPR/S/264/Rev.1, 20 July 2012.

5 APPENDIX TABLES

Table A1.1 Bilateral debt stocks to China – public and publicly guaranteed (PPG), 2014-19

Country	2014	2015	2016	2017	2018	2019
Angola	9,283.6	8,789.3	17,623.7	18,592.7	17,493.2	15,724.7
Argentina	657.4	1,702.7	1,800.4	2,803.6	3,133.6	3,237.9
Bangladesh	888.2	919.4	974.5	1,357.0	3,099.1	3,599.6
Belarus	3,198.4	3,681.7	4,026.6	4,371.0	4,742.4	4,975.9
Bolivia, Plurinational State of	550.4	518.8	571.5	713.6	891.7	1,044.9
Brazil	7,705.4	6,211.9	4,720.2	11,224.8	10,328.1	5,042.9
Cambodia	2,374.8	2,683.4	2,797.7	3,137.6	3,424.9	3,608.6
Cameroon	1,904.3	2,139.5	2,385.8	3,076.0	3,154.9	3,626.6
Congo, Democratic Rep. of the	2,051.2	1,948.9	1,902.5	1,837.4	2,040.9	3,751.9
Côte d'Ivoire	569.6	796.4	1,203.6	1,697.4	1,969.3	2,546.6
Djibouti	178.7	518.0	887.5	1,160.5	1,186.5	1,195.5
Ecuador	5,184.0	5,484.3	8,213.4	7,548.9	6,823.6	6,057.4
Egypt	330.4	322.0	1,924.2	2,328.6	4,192.3	4,117.7
Ethiopia	5,465.1	7,271.2	8,243.8	8,734.1	8,655.9	8,351.6
Gabon	808.5	882.8	1,054.0	1,103.8	1,187.9	1,221.7
Ghana	2,369.7	2,469.1	2,332.3	2,101.0	1,893.6	1,824.0
Indonesia	964.9	969.7	1,026.0	1,317.1	1,614.7	1,764.8
Kazakhstan	..	..	257.6	906.2	1,245.0	1,180.6
Kenya	2,229.6	3,140.5	4,345.3	5,844.6	6,902.3	7,493.4
Kyrgyz Republic	1,115.9	1,303.0	1,521.3	1,708.1	1,719.4	1,778.5
Lao People's Democratic Rep.	2,635.6	3,048.7	3,379.5	3,739.1	4,431.5	5,252.0
Maldives	157.3	149.9	306.6	395.4	927.9	1,165.8
Mongolia	571.6	598.4	736.8	814.4	978.9	1,054.7
Mozambique	1,473.5	1,558.4	1,645.6	1,962.0	2,011.7	1,910.1
Myanmar	4,434.2	4,520.4	4,188.3	4,187.0	3,682.2	3,341.7
Nigeria	1,293.1	1,444.7	1,642.0	1,931.0	2,485.1	3,175.1
Pakistan	5,138.9	5,988.7	7,637.0	10,996.2	18,131.7	21,620.0
Senegal	360.0	503.8	902.2	1,142.9	1,315.0	1,225.4
Serbia	542.7	740.3	796.9	924.7	1,046.7	1,241.2
South Africa	..	..	..	1,500.0	1,900.0	2,298.8
Sri Lanka	4,294.7	4,520.8	4,678.4	5,070.1	6,060.9	6,371.6
Sudan	1,677.2	1,579.5	1,487.7	1,421.1	1,330.2	1,246.2
Tajikistan	901.5	1,045.6	1,152.8	1,187.4	1,169.1	1,122.7
Turkey	515.9	524.3	511.1	868.5	1,625.9	1,933.3
Uganda	399.4	762.5	1,098.8	1,545.5	1,945.7	2,149.2
Uzbekistan	1,094.0	1,273.9	1,768.4	1,813.8	1,824.2	1,958.1
Viet Nam	2,284.0	2,071.4	2,046.1	2,112.9	2,037.5	1,787.9
Zambia	1,294.6	1,638.1	2,061.0	2,496.8	2,827.5	3,420.2
Zimbabwe	816.5	1,003.2	1,141.2	1,254.9	1,470.2	1,565.5
Total of countries above	77,714.7	84,725.1	104,992.4	126,927.6	142,901.0	145,984.4
Total debt stocks to China	85,876.5	93,816.3	114,814.7	137,495.6	153,671.1	157,111.9

.. Not available.

Source: World Bank, International Debt Statistics database.

Table A1.2 Merchandise exports by HS section and major HS chapter/subheading, 2015-20

HS section/chapter/subheading	2015	2016	2017	2018	2019	2020
Total exports (USD billion)	2,273.5	2,097.6	2,263.4	2,494.2	2,499.0	2,590.6
	(% of total exports)					
Exports under processing trade	*35.1*	*34.1*	*33.5*	*32.0*	*29.4*	*27.1*
01 Live animals and products	0.8	0.8	0.8	0.7	0.7	0.6
02 Vegetable products	1.0	1.2	1.1	1.0	1.1	1.1
03 Fats and oils	0.03	0.03	0.04	0.04	0.05	0.1
04 Prepared food, beverages and tobacco	1.2	1.4	1.3	1.3	1.3	1.2
05 Mineral products	1.4	1.4	1.7	2.1	2.1	1.4
27 Mineral fuels and oils	1.2	1.3	1.6	1.9	1.9	1.2
2710 Petroleum oils and oils from bituminous minerals, not crude …	0.8	0.9	1.1	1.4	1.5	1.0
06 Chemicals and products thereof	4.7	4.7	5.1	5.5	5.2	5.3
29 Organic chemicals	1.9	2.0	2.2	2.4	2.3	2.2
07 Plastics and rubber	3.8	3.9	4.0	4.1	4.3	4.6
39 Plastics and articles thereof	2.9	3.0	3.1	3.2	3.4	3.7
08 Raw hides and skins; leather, furskins and articles thereof	1.5	1.5	1.5	1.4	1.4	1.0
09 Wood, cork, straw	0.7	0.7	0.7	0.7	0.6	0.6
10 Pulp of wood; paper and paperboard	1.0	1.0	1.0	0.9	1.0	0.9
11 Textiles and textile articles	12.0	12.1	11.4	10.7	10.4	10.8
61 Clothing, knitted or crocheted	3.7	3.5	3.2	2.9	2.9	2.4
62 Clothing, not knitted or crocheted	3.5	3.4	3.2	2.9	2.7	2.4
63 Other made up textile articles; worn articles; rags	1.2	1.2	1.2	1.1	1.1	2.9
12 Footwear, headgear, etc.	3.0	2.8	2.7	2.5	2.5	2.0
64 Footwear, gaiters and the like	2.4	2.3	2.1	1.9	1.9	1.5
13 Articles of stone, plaster, cement	2.4	2.1	2.0	2.1	2.2	2.2
14 Precious stones and metals	1.4	1.0	0.8	0.8	0.8	0.7
15 Base metals and articles thereof	7.8	7.4	7.3	7.5	7.3	6.8
73 Articles of iron and steel	2.7	2.5	2.5	2.6	2.8	2.7
16 Machinery, electrical equipment	42.2	42.8	43.4	43.9	43.5	44.4
84 Machinery and mechanical appliances, parts thereof	16.0	16.4	16.9	17.2	16.7	17.0
8471 Automatic data processing machines and units thereof …	6.0	6.0	6.3	6.2	5.9	6.6
8473 Parts … suitable for use with machines of heading no. 8469 to 8472	1.3	1.2	1.5	1.8	1.3	1.2
85 Electrical machineries and parts thereof	26.1	26.4	26.4	26.6	26.8	27.4
8517 Telephone sets, including telephones for cellular networks …	9.4	9.6	9.7	9.6	9.0	8.6
8528 Monitors and projectors …	1.2	1.3	1.4	1.3	1.2	1.2
8542 Electronic integrated circuits	3.1	2.9	3.0	3.4	4.1	4.5
17 Transport equipment	4.7	4.4	4.6	4.7	4.5	4.3
87 Vehicles, parts thereof	2.8	2.9	3.0	3.0	3.0	2.9
8708 Parts and accessories of motor vehicles of HS 8701 to 8705	1.2	1.3	1.4	1.4	1.3	1.3
18 Precision equipment	3.6	3.5	3.4	3.1	3.2	3.3
90 Optical, photographic, measuring, medical instruments …	3.2	3.2	3.1	2.9	2.9	3.1
19 Arms and ammunition	0.0	0.0	0.0	0.0	0.0	0.0
20 Miscellaneous manufactured articles	6.9	7.0	7.0	6.8	7.2	7.7
94 Furniture, lighting, signs, prefabricated buildings	4.3	4.2	3.9	3.9	4.0	4.2
95 Toys, games, sports requisites	1.9	2.1	2.4	2.3	2.5	2.8
21 Works of art, etc.	0.02	0.01	0.01	0.01	0.03	0.03
Other	0.0	0.2	0.2	0.2	0.7	1.0

Source: WTO Secretariat calculations, based on UN Comtrade database and information from the General Administration of Customs.

Table A1.3 Merchandise imports by HS section and major HS chapter/subheading, 2015-20

HS section/chapter/subheading	2015	2016	2017	2018	2019	2020
Total imports (USD billion)	1,679.6	1,587.9	1,843.8	2,135.0	2,069.0	2,055.6
	(% of total imports)					
Import under processing trade	*26.6*	*25.0*	*23.4*	*22.0*	*20.1*	*19.6*
01 Live animals and products	1.0	1.4	1.3	1.4	2.0	2.5
02 Vegetable products	3.6	3.4	3.3	2.9	3.0	3.5
12 Oil seeds and oleaginous fruit; misc. grains, seeds and fruit	2.4	2.4	2.4	2.0	1.9	2.2
1201 Soya bean, whether or not broken	2.1	2.1	2.1	1.8	1.7	1.9
03 Fats and oils	0.5	0.4	0.4	0.4	0.5	0.5
04 Prepared food, beverages and tobacco	1.2	1.2	1.2	1.2	1.3	1.4
05 Mineral products	17.7	17.4	20.7	23.0	24.9	22.1
26 Ores, slag and ash	5.6	5.9	6.9	6.4	7.9	8.8
2601 Iron ores and concentrates	3.4	3.7	4.1	3.5	4.8	5.8
27 Mineral fuels and oils	11.8	11.1	13.5	16.3	16.6	13.0
2709 Petroleum oils and oils obtained from bituminous minerals; crude	8.0	7.3	8.9	11.2	11.5	8.6
2711 Petroleum gases and other gaseous hydrocarbons	1.5	1.4	1.8	2.3	2.5	2.0
06 Chemicals and products thereof	6.7	6.9	7.2	7.3	7.5	7.3
29 Organic chemicals	2.8	2.8	3.0	3.2	2.8	2.2
30 Pharmaceuticals	1.1	1.3	1.4	1.3	1.6	1.7
07 Plastics and rubber	4.7	4.7	4.8	4.3	4.2	4.2
39 Plastics and articles thereof	3.9	3.8	3.7	3.5	3.4	3.5
08 Raw hides and skins; leather, furskins and articles thereof	0.7	0.6	0.5	0.4	0.4	0.4
09 Wood, cork, straw	1.1	1.2	1.3	1.2	1.1	1.0
10 Pulp of wood; paper and paperboard	1.4	1.4	1.5	1.5	1.3	1.3
11 Textiles and textile articles	1.9	1.8	1.7	1.6	1.5	1.4
12 Footwear, headgear, etc.	0.2	0.2	0.2	0.2	0.3	0.3
13 Articles of stone, plaster, cement	0.5	0.6	0.5	0.5	0.5	0.5
14 Precious stones and metals, pearls	5.8	5.0	3.5	2.9	2.9	1.5
7108 Gold, unwrought or in semi-manuf. forms, or in powder form	4.7	4.0	2.8	2.1	2.1	0.6
15 Base metals and articles thereof	5.2	5.0	5.2	5.0	4.6	5.7
72 Iron and steel	1.1	1.1	1.2	1.0	1.1	1.8
74 Copper and articles thereof	2.3	2.1	2.2	2.2	2.0	2.4
16 Machinery, electrical equipment	34.9	35.3	34.0	33.9	33.1	36.0
84 Machinery and mechanical appliances, parts thereof	9.4	9.3	9.2	9.5	9.2	9.3
85 Electrical machineries and parts thereof	25.5	26.0	24.8	24.4	23.9	26.7
8517 Telephone sets, including telephones for cellular networks …	2.9	2.9	2.6	2.3	2.0	2.1
8542 Electronic integrated circuits	13.7	14.3	14.2	14.6	14.7	17.1
17 Transport equipment	5.8	6.1	5.8	5.4	4.7	4.2
87 Vehicles, parts thereof	4.1	4.5	4.3	3.8	3.6	3.6
8703 Motor vehicles for the transport of persons	2.6	2.8	2.7	2.3	2.3	2.2
18 Precision instruments	6.2	6.1	5.5	5.0	5.0	5.1
90 Optical, photographic, measuring, medical instruments …	5.9	5.8	5.3	4.8	4.8	4.8
19 Arms and ammunition	0.0	0.0	0.0	0.0	0.0	0.0
20 Miscellaneous manufactured articles	0.4	0.5	0.5	0.4	0.4	0.3
21 Works of art, collectors' pieces and antiques	0.02	0.01	0.00	0.01	0.04	0.03
Other	0.4	0.8	0.8	1.4	0.7	0.5

Source: WTO Secretariat calculations, based on UN Comtrade database and information from the General Administration of Customs.

Table A1.4 China's merchandise exports by destination, 2015-20

	2015	2016	2017	2018	2019	2020
Total exports (USD billion)	2,273.5	2,097.6	2,263.4	2,494.2	2,499.0	2,590.6
	(% of total)					
Americas	25.1	25.1	26.2	26.6	24.3	24.9
United States	18.0	18.4	19.0	19.2	16.8	17.5
Other America	7.1	6.7	7.1	7.4	7.5	7.4
Mexico	1.5	1.5	1.6	1.8	1.9	1.7
Canada	1.3	1.3	1.4	1.4	1.5	1.6
Brazil	1.2	1.0	1.3	1.4	1.4	1.3
Europe	17.0	17.5	17.8	17.8	18.6	19.4
EU-27	13.1	13.5	13.9	14.2	14.7	15.1
Germany	3.0	3.1	3.1	3.1	3.2	3.4
Netherlands	2.6	2.7	3.0	2.9	3.0	3.0
Italy	1.2	1.3	1.3	1.3	1.3	1.3
EFTA	0.3	0.3	0.3	0.3	0.3	0.3
Other Europe	3.6	3.7	3.6	3.3	3.6	4.0
United Kingdom	2.6	2.7	2.5	2.3	2.5	2.8
CIS[a]	2.4	2.7	2.9	3.0	3.2	2.9
Russian Federation	1.5	1.8	1.9	1.9	2.0	2.0
Africa	4.7	4.3	4.1	4.1	4.4	4.3
Middle East	4.9	4.6	4.4	3.9	4.3	4.2
United Arab Emirates	1.6	1.4	1.3	1.2	1.3	1.2
Asia	45.9	45.6	44.6	44.5	45.2	44.2
Japan	6.0	6.2	6.1	5.9	5.7	5.5
Other Asia	39.9	39.5	38.5	38.6	39.4	38.6
Hong Kong, China	14.5	13.7	12.3	12.1	11.2	10.5
Korea, Republic of	4.5	4.5	4.5	4.4	4.4	4.3
Viet Nam	2.9	2.9	3.2	3.4	3.9	4.4
India	2.6	2.8	3.0	3.1	3.0	2.6
Chinese Taipei	2.0	1.9	1.9	2.0	2.2	2.3
Singapore	2.3	2.1	2.0	2.0	2.2	2.2
Malaysia	1.9	1.8	1.8	1.8	2.1	2.2
Australia	1.8	1.8	1.8	1.9	1.9	2.1
Indonesia	1.5	1.5	1.5	1.7	1.8	1.6
Thailand	1.7	1.8	1.7	1.7	1.8	2.0
Philippines	1.2	1.4	1.4	1.4	1.6	1.6
Other	0.0	0.1	0.0	0.0	0.0	0.0
Memorandum:						
APEC	63.7	63.8	63.5	64.0	62.3	62.7
ASEAN	12.2	12.2	12.3	12.9	14.4	14.8
EU-28	15.7	16.2	16.5	16.5	17.2	17.9

a Commonwealth of Independent States, including certain associate and former member states.

Source: WTO Secretariat calculations, based on UN Comtrade database and information from the General Administration of Customs.

Table A1.5 China's merchandise imports by origin, 2015-20

	2015	2016	2017	2018	2019	2020
Total imports (USD billion)	1,679.6	1,587.9	1,843.8	2,135.0	2,069.0	2,055.6
	(% of total)					
Americas	16.5	16.1	16.4	16.0	15.2	15.7
United States	8.9	8.5	8.4	7.3	6.0	6.6
Other America	7.7	7.6	8.0	8.7	9.3	9.1
Brazil	2.6	2.9	3.2	3.6	3.8	4.1
Chile	1.1	1.2	1.1	1.3	1.3	1.4
Canada	1.6	1.2	1.1	1.3	1.4	1.1
Europe	15.6	16.2	15.6	15.1	15.1	15.4
EU-27	11.3	11.9	12.1	11.7	12.2	12.6
Germany	5.2	5.4	5.3	5.0	5.1	5.1
France	1.5	1.4	1.5	1.5	1.6	1.4
Italy	1.0	1.1	1.1	1.0	1.0	1.1
EFTA	2.7	2.7	2.0	2.0	1.5	1.2
Other Europe	1.5	1.5	1.6	1.4	1.4	1.6
United Kingdom	1.1	1.2	1.2	1.1	1.2	1.0
CIS[a]	3.0	2.9	3.1	3.7	4.2	3.7
Russian Federation	2.0	2.0	2.2	2.8	2.9	2.8
Africa	4.1	3.5	4.1	4.6	4.6	3.5
South Africa	1.8	1.4	1.3	1.3	1.3	1.0
Middle East	6.0	5.4	6.0	7.2	7.5	6.0
Saudi Arabia, Kingdom of	1.8	1.5	1.7	2.1	2.6	1.9
Asia	46.1	47.8	47.6	46.4	47.0	49.4
Japan	8.5	9.2	9.0	8.4	8.3	8.5
Other Asia	37.6	38.6	38.6	37.9	38.8	40.9
Chinese Taipei	8.5	8.7	8.5	8.3	8.4	9.8
Korea, Republic of	10.4	10.0	9.6	9.6	8.4	8.4
Australia	4.4	4.5	5.2	4.9	5.8	5.6
Viet Nam	1.8	2.3	2.7	3.0	3.1	3.8
Malaysia	3.2	3.1	3.0	3.0	3.5	3.6
Thailand	2.2	2.4	2.3	2.1	2.2	2.3
Indonesia	1.2	1.3	1.5	1.6	1.6	1.8
Singapore	1.6	1.6	1.9	1.6	1.7	1.5
India	0.8	0.7	0.9	0.9	0.9	1.0
Philippines	1.1	1.1	1.0	1.0	1.0	0.9
Other	8.6	8.2	7.2	6.9	6.3	6.2
Free Zone China[b]	8.5	8.1	7.2	6.9	6.2	6.1
Memorandum:						
APEC	67.3	63.6	67.1	65.4	64.3	66.9
ASEAN	11.6	12.4	12.8	12.6	13.6	14.6
EU-28	12.4	13.1	13.3	12.8	13.4	13.5

a Commonwealth of Independent States, including certain associate and former member states.

b Includes goods that have been exported from China and thereafter re-imported into China.

Source: WTO Secretariat calculations, based on UN Comtrade database and information from the General Administration of Customs.

Table A2.1 Main notifications under WTO Agreements, 1 January 2018-13 April 2021

WTO Agreement	Description	Latest document symbol and date
Agreement on Agriculture		
Articles 10 & 18.2 – ES:1	Export subsidies	G/AG/N/CHN/53, 7 December 2020
Articles 10 & 18.2 – ES:2	Export subsidies – total exports	G/AG/N/CHN/54, 7 December 2020
Article 18.2 – MA:2	Tariff quotas – imports	G/AG/N/CHN/55, 7 December 2020
Article 18.2 – DS:1	Domestic support	G/AG/N/CHN/47, 14 December 2018
Article 18.3 – DS:2	New or modified domestic support	G/AG/N/CHN/49, 14 December 2018
Agreement on the Application of Sanitary and Phytosanitary Measures		
Article 7, Annex B	Regulations:	
	54 in 2018	G/SPS/N/CHN/1062-1115
	33 in 2019	G/SPS/N/CHN/1116-1148
	45 in 2020	G/SPS/N/CHN/1149-1193
	24 in 2021	G/SPS/N/CHN/1194-1217
Agreement on Import Licensing Procedures		
Article 7.3	Replies to the questionnaire	G/LIC/N/3/CHN/18, 30 January 2020
Agreement on Preshipment Inspection		
Article 5 – first time	Laws and regulations	G/PSI/N/1/Rev.4, 16 October 2019
Agreement on Rules of Origin		
Article 5, paragraph 4 of Annex II – *ad hoc*	China-Georgia FTA	G/RO/N/171, 24 May 2018
	China-Macao, China CEPA	G/RO/N/187, 20 September 2019
	China-Chile FTA	G/RO/N/191, 20 January 2020
	China-Mauritius FTA	G/RO/N/212, 4 February 2021
Agreement on Safeguards		
Articles 12.5 & 8.2	Proposed suspension of concessions and other obligations	G/L/1218; G/SG/N/12/CHN/1, 3 April 2018 G/L/1220; G/SG/N/12/CHN/2, 5 April 2018 G/L/1221; G/SG/N/12/CHN/3, 5 April 2018
Agreement on Subsidies and Countervailing Measures		
Article 25.1 & GATT 1994 Article XVI:1	Subsidies	G/SCM/N/343/CHN, 19 July 2019
Article 25.11 – *ad hoc*	Countervailing measures	G/SCM/N/346, 20 March 2019 G/SCM/N/360/Rev.1, 5 May 2020 G/SCM/N/375, 11 March 2021
Article 25.11 – semi-annual	Countervailing duty actions:	
	1 January-30 June 2018	G/SCM/N/334/CHN, 22 October 2018
	1 July-31 December 2018	G/SCM/N/342/CHN, 9 April 2019
	1 January-30 June 2019	G/SCM/N/349/CHN, 23 October 2019
	1 July-31 December 2019	G/SCM/N/356/CHN, 13 March 2020
	1 January-30 June 2020	G/SCM/N/363/CHN, 16 October 2020
	1 July-31 December 2020	G/SCM/N/371/CHN, 26 February 2021
Agreement on Technical Barriers to Trade		
Article 2.10	Technical regulations – urgent	G/TBT/N/CHN/1577, 31 March 2021
Article 2.9	Technical regulations:	
	49 in 2018	G/TBT/N/CHN/1247-1252, 1258, 1262-1270, 1272-1273, 1276-1299, 1303-1309
	84 in 2019	G/TBT/N/CHN/1312, 1314-1330, 1332-1341, 1344-1399
	107 in 2020	G/TBT/N/CHN/1402-1413, 1415-1425, 1429, 1435-1452, 1455-1458, 1461-1514, 1516-1521, 1523
	58 in 2021	G/TBT/N/CHN/1528-1538, 1540-1576, 1578-1587
Articles 2.9 & 5.6	Technical regulations and conformity assessment procedures (proposed):	
	6 in 2018	G/TBT/N/CHN/1254, 1259, 1300-1302, 1310
	2 in 2019	G/TBT/N/CHN/1313, G/TBT/N/CHN/1342
	1 in 2020	G/TBT/N/CHN/1434
Article 5.6	Conformity assessment procedures (proposed):	
	10 in 2018	G/TBT/CHN/1246, 1253, 1255-1257, 1260-1261, 1272, 1274-1275
	2 in 2019	G/TBT/CHN/1311, 1331
	18 in 2020	G/TBT/CHN/1414, 1426-1428, 1430-1433, 1453, 1454, 1459, 1460, 1515, 1522, 1524-1527
	1 in 2021	G/TBT/CHN/1539
Article 5.7	Conformity assessment procedures (urgent)	G/TBT/CHN/1400, 1401

WTO Agreement	Description	Latest document symbol and date
Agreement on Trade-Related Aspects of Intellectual Property Rights		
Article 63.2	Replacement or consolidation of the Anti-Unfair Competition Law	IP/N/1/CHN/10; IP/N/1/CHN/U/1, 30 January 2020
	Replacement or consolidation of the Trademark Law	IP/N/1/CHN/11; IP/N/1/CHN/T/5, 30 January 2020
Agreement on Trade Facilitation		
Articles 1.4, 10.4.3, 10.6.2, 12.2.2	Contact information	G/TFA/N/CHN/4, 10 January 2020; G/TFA/N/CHN/2/Rev.3, 30 April 2020
Articles 22.1 & 22.2	Technical assistance, information and contact points	G/TFA/N/CHN/3, 18 October 2019
Agreement on Trade-Related Aspects of Intellectual Property Rights		
Article 63.2	Replacement or consolidation of the Anti-Unfair Competition Law	IP/N/1/CHN/10; IP/N/1/CHN/U/1, 30 January 2020
	Replacement or consolidation of the Trademark Law	IP/N/1/CHN/11; IP/N/1/CHN/T/5, 30 January 2020
Decision on Notification Procedures for Quantitative Restrictions		
G/L/59/Rev.1 – biennial – complete notification	Market access – quantitative restrictions	G/MA/QR/N/CHN/5/Rev.1, 15 February 2019
GATT 1994		
Article XVII:4(a) & paragraph 1 of the interpretation of Article XVII	State trading	G/STR/N/16/CHN; G/STR/N/17/CHN, 27 July 2018
Article XXIV:7(a) of the GATT 1994 & Article V:7(a) of the GATS	China-Mauritius FTA	WT/REG442/N/1-S/C/N/1037, 7 January 2021
Article XXIV:7(a) of the GATT 1994 & Article V:7(a) of the GATS	China-Georgia FTA	WT/REG391/N/1-S/C/N/900, 5 April 2018
Agreement on Implementation of Article VI of the GATT 1994		
Article 16.4 – *ad hoc*	Anti-dumping actions	G/ADP/N/311, 26 March 2018; G/ADP/N/320, 29 November 2018; G/ADP/N/325, 1 April 2019; G/ADP/N/334, 15 November 2019; G/ADP/N/339/Rev.1, 5 May 2020 G/ADP/N/353, 10 March 2021
Article 16.4 – semi-annual	Anti-dumping actions	G/ADP/N/294/CHN, 15 March 2017; G/ADP/N/308/CHN, 18 April 2018; G/ADP/N/314/CHN, 23 October 2018; G/ADP/N/322/CHN, 12 April 2019; G/ADP/N/328/CHN, 23 October 2019; G/ADP/N/335/CHN, 21 April 2020 G/ADP/N/350/CHN, 9 March 2021
Agreement on Implementation of Article VII of the GATT 1994		
Article 22.2	Customs valuation	G/VAL/N/1/CHN6, 12 April 2018

Source: WTO Secretariat.

Table A2.2 WTO dispute settlement cases involving China, 1 January 2018-13 April 2021

Subject	Respondent/ complainant	Request for consultation received	Status (as at 13 April 2021)	WTO document series
China as respondent				
Anti-dumping and countervailing duty measures on barley	China/ Australia	16/12/2020	In consultations	WT/DS598
Measures concerning the importation of canola seed from Canada	China/ Canada	09/09/2019	In consultations	WT/DS589
Certain measures concerning imports of sugar	China/ Brazil	16/10/2018	In consultations	WT/DS568
Additional duties on certain products from the United States	China/ United States	16/07/2018	Panel composed	WT/DS558
Certain measures of transfer of technology	China/ European Union	20/06/2018	In consultations	WT/DS549
Certain measures concerning the protection of intellectual property rights II	China/ United States	23/03/2018	Panel composed	WT/DS542
Subsidies to producers of primary aluminium	China/ United States	12/01/2017	In consultations	WT/DS519
Tariff rate quotas for certain agricultural products	China/ United States	15/12/2016	Report(s) adopted with recommendation to bring measures into conformity	WT/DS517
Domestic support for agricultural producers	China/ United States	13/09/2016	Authorization to retaliate requested (including 22.6 arbitration)	WT/DS511
Anti-dumping measures on imports of cellulose pulp from Canada	China/ Canada	15/10/2014	Implementation notified by respondent	WT/DS483
Anti-dumping and countervailing duty measures on broiler products from the United States	China/ United States	20/09/2011	Compliance proceedings completed with finding(s) of non-compliance	WT/DS427
China as complainant				
Tariff measures on certain goods from China – III	United States/ China	02/09/2019	In consultations	WT/DS587
Tariff measures on certain goods from China – II	United States/ China	23/08/2018	In consultations	WT/DS565
Certain measures related to renewable energy	United States/ China	14/08/2018	In consultations	WT/DS563
Safeguard measure on imports of crystalline silicon photovoltaic products	United States/ China	14/08/2018	Panel composed Delayed	WT/DS562
Certain measures on steel and aluminium products	United States/ China	05/04/2018	Panel composed	WT/DS544
Tariff measures on certain goods from China	United States/ China	04/04/2018	Panel report under appeal	WT/DS543
Measures related to price comparison methodologies	European Union/ China	12/12/2016	Authority for panel lapsed	WT/DS516
Measures affecting tariff concessions on certain poultry meat products	European Union/ China	08/04/2015	Settled or terminated/ Mutually agreed solution	WT/DS492
Certain methodologies and their application to anti-dumping proceedings involving China	United States/ China	03/12/2013	Authorization to retaliate requested	WT/DS471
Countervailing duty measures on certain products from China	United States/ China	25/05/2012	Authorization to retaliate requested	WT/DS437

Source: WTO Secretariat.

Table A2.3 Industries in which FDI was/is restricted, 2019 and 2020

2019	2020
Agricultural, forestry, livestock, and fishery industries	
Selection and seed production of new varieties of wheat and corn: the Chinese parties as the controlling shareholders.	Selection of new wheat varieties and seed production: the Chinese parties holding no less than 34%; and selection of new corn varieties and seed production: controlled by the Chinese parties.
Manufacturing industries	
Printing of publications: the Chinese parties as the controlling shareholders.	Same as in 2019
Except for special vehicles and new energy vehicles, the Chinese parties in vehicle manufacturing shall hold no less than 50% of the shares; a foreign investor may establish two or fewer equity joint ventures in China to manufacture the same type of vehicle products.	Manufacturing of complete automobiles, excluding special purpose vehicles, new energy vehicles, and commercial vehicles: the Chinese parties holding no less than 50% of the shares; a foreign investor may establish two or fewer equity joint ventures in China to manufacture the same type of complete automobile products.
Industries of production and supply of electricity, heat, gas, and water	
Construction and operation of nuclear power plants: the Chinese parties as the controlling shareholders.	Same as in 2019
Construction and operation of urban water supply and drainage network for cities with a population of more than 500,000: the Chinese parties as the controlling shareholders.	Not listed
Transportation, warehousing, and postal services industries	
Domestic water transport companies: the Chinese parties as the controlling shareholders.	Same as in 2019
Public air transport companies: the Chinese parties as the controlling shareholders, the investment ratio of a foreign investor and its affiliates shall not exceed 25%, and the legal representative shall be a Chinese citizen.	Same as in 2019
General aviation enterprises: the legal representative shall be a Chinese citizen. General aviation enterprises for the agricultural, forestry, and fishery industries: limited to equity joint ventures. Other general aviation enterprises: the Chinese parties as the controlling shareholders.	Same as in 2019
Construction and operation of civil airports: the Chinese parties as the controlling shareholders.	Construction and operation of civil airports: the Chinese parties as the controlling shareholders, and foreign parties may not participate in the construction and operation of the airport tower.
Information transmission, software, and IT service industries	
Telecommunications companies: limited to China's WTO commitment to open telecommunications services, value-added telecommunications business of no more than 50% of the foreign share ratio (except e-commerce, domestic multi-party communications, storage and forwarding categories, and call centres). Basic telecommunications services: the Chinese parties as the controlling shareholders.	Same as in 2019
Finance industries	
Securities companies: foreign investment shall not exceed 51%. Securities investment fund management companies: foreign investment shall not exceed 51%. (Elimination of the foreign-equity ratio limit will occur in 2021.)	Not listed
Futures companies: foreign investment shall not exceed 51%. (Elimination of the foreign-equity ratio limit will occur in 2021.)	Not listed
Life insurance companies: foreign investment shall not exceed 51%. (Elimination of the foreign-equity ratio limit will occur in 2021.)	Not listed
Leasing and commercial services industries	
Market surveys: limited to equity or cooperative joint ventures; radio and television ratings surveys therein: the Chinese parties as the controlling shareholders.	Market surveys: limited to equity joint ventures; radio and television ratings surveys therein: the Chinese parties as the controlling shareholders.

2019	2020
Education	
Pre-school education, ordinary high school, and higher education institutions: subject to Sino-foreign cooperative education, and led by the Chinese parties (the principal or principal administrative officer shall be a Chinese national, and the Chinese parties shall comprise not less than half of the council, board, or joint administrative committee).	Same as in 2019
Health and social work	
Medical institutions: limited to joint ventures and cooperation.	Medical institutions: limited to equity joint ventures.

Source: NDRC and MOFCOM, *The Special Administrative Measures on Access to Foreign Investment* (2019 and 2020 editions), 2019 and 2020 National Negative Lists; and information provided by the authorities.

Table A2.4 Industries in which FDI was/is prohibited, 2019 and 2020

2019	2020
Agricultural, forestry, livestock, and fishery industries	
Development, breeding, cultivation, and production of the precious and fine varieties that are rare and special in China, or the production of the relevant reproductive materials thereof (including high-quality genes in the industries of crop production, livestock, and aquaculture).	Development, breeding, cultivation, and production of related reproductive materials (including good genes of cultivation, husbandry, and aquaculture) of China's rare and unique varieties.
Selection and breeding of transgenic varieties of agricultural crops, livestock, and breeding poultry and aquatic fry, or the production of their transgenic seeds (sprouts).	Breeding genetically modified varieties of crop seeds, livestock, and poultry breeds and aquatic breeds, as well as manufacturing of genetically modified seeds (seedlings) thereof.
Fishing of aquatic products in sea area under Chinese jurisdiction and within Chinese territorial waters.	Same as in 2019
Mining industries	
Rare earths, radioactive minerals, tungsten exploration, mining, and mineral processing.	Same as in 2019
Manufacturing industries	
Smelting, processing, and production of nuclear fuel in radioactive minerals.	Not listed
Application of steaming, stir-frying, moxibustion, or calcination of Chinese herbal medicines and other processing techniques, as well as the production of confidential prescription products of proprietary Chinese medicines.	Same as in 2019
Satellite TV broadcast ground receiving facilities and key parts production.	Same as in 2019
Wholesale and retail industries	
Wholesale and retail of tobacco leaves, cigarettes, re-dried tobacco leaves, and other tobacco products.	Same as in 2019
Transportation, storage and warehousing, and postal services industries	
Air traffic control.	Not listed
Postal companies, and domestic express delivery mail business.	Same as in 2019
Information transmission, software, and information technology services	
Internet news information services, online publishing services, Internet audio-visual programme services, Internet cultural operations (except music), and Internet public distribution of information services (except content already opened in China's WTO accession commitments).	Same as in 2019
Leasing and commercial services industries	
Chinese legal matters (except provision of information on impact on Chinese legal environment), and no foreign investor appointed as a partner of a domestic law firm.	Same as in 2019
Social surveys.	Social surveys.
Scientific research and technological services industries	
Human stem cell, gene diagnosis, and therapeutic technology development and application.	Same as in 2019
Humanities and social science research institutions.	Same as in 2019
Geodetic surveying, marine surveying and mapping, aerial photography for surveying and mapping, ground motion surveying, and surveying and mapping of administrative boundaries. Preparation of topographic maps, world administrative area maps, national administrative area maps, maps of administrative areas at or below the provincial level, national teaching maps, local teaching maps, true three-dimensional maps and electronic navigation maps; and regional geological mapping, mineral geology, geophysics, geochemistry, hydrogeology, environmental geology, geological disasters, remote sensing geology, and other surveys.	Geodetic surveying, marine surveying and mapping, aerial photography for surveying and mapping, ground motion surveying, and surveying and mapping of administrative boundaries. Preparation of topographic maps, world administrative area maps, national administrative area maps, maps of administrative areas at or below the provincial level, national teaching maps, local teaching maps, true three-dimensional maps and electronic navigation maps; and regional geological mapping, mineral geology, geophysics, geochemistry, hydrogeology, environmental geology, geological disasters, remote sensing geology and other surveys. (The mining right holders are not subject to the Special Administrative Measures when carrying out work within the scope of their mining rights.)

2019	2020
Education	
Compulsory education institutions and religious education institutions.	Same as in 2019
Cultural, sports, and entertainment industries	
News organizations (including but not limited to news agencies).	Same as in 2019
Editing, publishing, and production of books, newspapers, periodicals, audio-visual products, and electronic publications.	Same as in 2019
Radio stations, TV stations, radio and TV channels (frequencies), radio and TV transmission network (transmitter stations, relay stations, radio and TV satellites, satellite uplink stations, satellite receiving stations, microwave stations, surveillance stations, and cable radio and TV transmission networks, etc.). Business of video broadcasting by order of radio and TV, and installation services of ground receiving facilities for satellite TV broadcasting.	Same as in 2019
Companies producing and operating radio and TV programmes (including introduction of business).	Same as in 2019
Film production companies, distribution companies, cinema companies, and film importation business.	Same as in 2019
Auction companies for heritage auction, heritage stores, and state-owned heritage museums.	Same as in 2019
Performing arts groups.	Same as in 2019

Source: NDRC and MOFCOM, *The Special Administrative Measures on Access to Foreign Investment* (2019 and 2020 editions), 2019 and 2020 National Negative Lists; and information provided by the authorities.

Table A3.1 MFN applied tariff summary, 2021

	Number of lines	Average (%)	Range (%)		Standard deviation	Duty free (%)
			MFN applied	Bound		
Total	**8,580**	**7.1**	**0-65**	**0-65**	**6.1**	**12.6**
HS 01-24	1,418	11.2	0-65	0-65	10.1	9.4
HS 25-97	7,162	6.3	0-50	0-50	4.6	13.2
By WTO category						
WTO agricultural products	1,175	12.7	0-65	0-65	11.0	8.9
Animals and products thereof	170	11.4	0-25	0-25	7.9	18.2
Dairy products	21	11.2	2-20	6-20	4.1	0.0
Fruit, vegetables, and plants	390	10.7	0-30	0-30	6.6	6.2
Coffee and tea	33	13.0	2-30	8-32	4.7	0.0
Cereals and preparations	129	19.7	0-65	0-65	20.4	7.8
Oils seeds, fats, oil and their products	108	10.1	0-30	0-30	7.4	20.4
Sugars and confectionery	21	30.6	5-50	8-50	16.2	0.0
Beverages, spirits and tobacco	66	14.9	0-65	0-65	15.8	1.5
Cotton	5	22.0	10-40	10-40	14.7	0.0
Other agricultural products, n.e.s.	232	11.9	0-38	0-38	7.9	6.9
WTO non-agricultural products	7,405	6.2	0-50	0-50	4.3	13.2
Fish and fishery products	352	6.8	0-15	0-23	2.9	8.2
Minerals and metals	1,260	6.1	0-50	0-50	4.3	8.5
Chemicals and photographic supplies	1,431	5.7	0-47	0-47	3.9	9.2
Wood, pulp, paper and furniture	421	2.1	0-12	0-20	2.5	41.3
Textiles	851	6.9	2-38	2-38	2.4	0.0
Clothing	299	6.7	5-12	14-25	1.4	0.0
Leather, rubber, footwear and travel goods	226	10.1	0-25	0-25	4.8	0.4
Non-electric machinery	1,042	6.2	0-25	0-35	3.6	16.4
Electric machinery	468	5.1	0-20	0-35	4.4	37.0
Transport equipment	424	10.6	0-45	0-45	7.2	0.2
Non-agricultural products, n.e.s.	611	5.7	0-20	0-35	4.8	30.4
Petroleum	20	4.8	0-9	0-9	3.0	15.0
By ISIC sector						
ISIC 1 – Agriculture, hunting and fishing	670	9.7	0-65	0-65	9.7	22.1
ISIC 2 – Mining	123	1.7	0-6	0-8	1.7	41.5
ISIC 3 – Manufacturing	7,786	7.0	0-65	0-65	5.7	11.3
Manufacturing excluding food processing	6,956	6.4	0-50	0-50	4.5	12.3
ISIC 4 – Electrical energy	1	0.0	0	0	0.0	100.0
By stage of processing						
First stage of processing	1,190	8.4	0-65	0-65	9.2	20.6
Semi-processed products	2,627	6.3	0-65	0-65	5.4	5.4
Fully processed products	4,763	7.3	0-65	0-65	5.5	14.5
By HS section						
01 Live animals and products	533	9.3	0-25	0-25	6.1	12.4
02 Vegetable products	514	13.7	0-65	0-65	12.5	10.9
03 Fats and oils	56	12.6	2-30	5-30	5.9	0.0
04 Prepared food, beverages and tobacco	315	9.9	0-65	0-65	11.1	3.5
05 Mineral products	201	2.9	0-9	0-12	2.5	27.9
06 Chemicals and products thereof	1,354	5.8	0-50	0-50	4.8	9.7
07 Plastics, rubber, and articles thereof	280	8.9	0-25	0-25	4.2	0.4
08 Raw hides and skins, leather, and its products	106	9.7	3-20	5-23	4.3	0.0
09 Wood and articles of wood	235	1.6	0-12	0-20	2.4	42.6
10 Pulp of wood, paper and paperboard	161	3.8	0-7.5	0-7.5	2.3	21.7
11 Textiles and textile articles	1,147	7.1	1-40	3-40	3.4	0.0
12 Footwear, headgear, etc.	73	8.1	4-14	10-25	2.3	0.0
13 Articles of stone, plaster, cement	205	10.4	0-20	0-28	3.5	0.5
14 Precious stones and metals, pearls	90	5.0	0-21	0-35	5.8	38.9
15 Base metals and articles thereof	773	5.8	0-9	0-30	2.3	2.5
16 Machinery, electrical equipment, etc.	1,545	5.7	0-25	0-35	4.0	24.9
17 Transport equipment	439	10.4	0-45	0-45	7.2	0.7
18 Precision equipment	336	5.5	0-20	0-30	5.2	34.2
19 Arms and ammunition	21	13.0	13-13	13-15	0.0	0.0
20 Miscellaneous manufactured articles	186	5.2	0-20	0-25	4.4	34.4
21 Works of art, etc.	10	3.1	0-6	0-14	2.6	20.0

Note: Calculations are based on national tariff line level (8-digit), excluding in-quota rates and including AVEs for non-*ad valorem* rates provided by the authorities.
Interim duty rates are used for the calculations when fully applied at the 8-digit level.

Source: WTO Secretariat calculations, based on data provided by the authorities.

Table A3.2 Active central subsidy programmes notified in 2019

Sector (number of programmes)	Programme number and name		Duration	Budget (CNY million)
Agriculture (7)	33	Projects of agricultural, forestry, animal and fishery	2000-present	..
	35	Imported products for the purpose of replacing the planting of poppies	2000-present	..
	36[a]	Imports of seeds (seedlings)	2016-2020	..
	50	Fund for water resources development	1983-present	2017: 30,787.72 2018: 20,684.76
	52[a]	Fund for agricultural resources and ecological protection	2011-present	2017: 22,036; 2018: 24,536
	53	Subsidy for a new round of returning cultivated land to forests and grassland	2014-present	2017: 9,197; 2018: 12,789
	65[a]	Agricultural production (excluding large-scale farming)	2008-present	..
Technology (5)	5[a]	High or new technology enterprises	2008-present	..
	6	Additional calculation and deduction of R&D expenses	2017-2020	..
	7	Enterprises transferring technology	2008-present	..
	10[a]	Service enterprises with advanced technology	2016-present	..
	41	Integrated circuit industry	2008-present	..
Fishery (5)	74	Enterprises engaged in projects of agricultural, forestry, animal and fishery	2008-present	..
	75	Fishery stocks enhancement and fish fries releasing	2009-present	Since 2017, statistical breakdown for this programme is not available. The estimated size of the funds is CNY 398.5 million.
	76	Subsidy for the prevention of aquatic animal diseases	2017-present	2017: 44; 2018: 60
	78	Improved aquatic breed	2014-present	2017: 100; 2018: 100
	79	Reform in tax and fee on refined oil (for fisheries)	2015-present	In varying amounts
Energy (5)	12[a]	Projects for environmental protection, water and energy conservation	2008-present	..
	54[a]	Fund for energy conservation and emission reduction	2015-present	2017: 34,066; 2018: 33,230
	61	Special fund for development of renewable energies	2016-2020	2017: 5,400; 2018: 6,887.44
	62[a]	Subsidy fund for surcharge of electricity price of renewable energies	2012-present	2017: 75,000; 2018: 83,900
	64[a]	Shale gas	2018-March 2021	..
Disability support (5)	27[a]	Enterprises that employ disabled people	2016-present	..
	28[a]	Enterprises employing disabled people	2007-present	..
	29[a]	Imported products exclusively used by disabled people	1997-present	..
	30	Products for the disabled people	1994-present	..
	31[a]	Enterprises producing goods exclusively used by the disabled people	2004-2020	..
Chemical & material (5)	13[a]	Building materials products produced with integrated utilization of resources	2008-present	..
	14[a]	Integrated utilization of resources	2015-present	..
	15[a]	New-type wall materials	2015-present	..
	16	Petroleum products produced with comprehensive utilization of resources	1) and 2) 2009-present; 3) 2013-2023	..
	40	Refined oil	2011-present	..

Sector (number of programmes)	Programme number and name		Duration	Budget (CNY million)
Infrastructure (4)	1	Chinese-foreign joint ventures engaged in port and dock construction	Five years of tax exemption and five years of reduction by half	..
	2	Enterprises with foreign investment established in Special Economic Zones (excluding Shanghai Pudong area)	Five years of tax exemption and five years of reduction by half	..
	3	Enterprises with foreign investment established in Pudong area of Shanghai	Five years of tax exemption and five years of reduction by half.	..
	11[a]	Public infrastructure projects	2008-present	..
Waste management (3)	67	Sites of centralized treatment of urban and rural sewage and centralized treatment of domestic garbage	2018-present	..
	68	Comprehensive utilization of solid wastes	2018-present	..
	69	Enterprises that are below pollutant discharge standards prescribed by the state and local governments	2018-present	..
Financing (3)	45	Accelerating depreciation of fixed assets	1)-4) 2014-present; 5)-6) 2015-present; 7) 2018-December 2020	..
	63[a]	Reward and subsidy for fee reduction of the financing guarantee provided for small and micro enterprises	2018-2020	2018: 3,000
	71	Financing	2018-December 2020	..
Environment (3)	22[a]	Clean Development Mechanism	2007-present	..
	55[a]	Fund for air pollution prevention and control	2016-present	2017: 16,000; 2018: 20,000
	70	Enterprises involving the reduction of excessive capacities and structural adjustment	Tax exemption of up to two years	..
Automobile and transportation (3)	20	Urban public transportation enterprises that purchase buses and trolleybuses	2012-December 2020	..
	46	Vehicle purchase tax for trailers	2018-June 2021	..
	66	Specific mobile sources of pollution	2018-present	..
SME (2)	23	Small and micro enterprises	2008-present	..
	26	Governmental funds	2016-present	..
Poverty reduction (2)	47	Fund for poverty alleviation	1980-present	2017: 86,095; 2018: 106,095
	73	Poverty alleviation migration	2018-December 2020	..
Pharmaceutical (2)	32	Anti-HIV-AIDS medicine	1) 2016-December 2020; 2) 2016-2018	..
	72	Anti-cancer drugs	2018-present	..
Economic development (2)	4	The Western Regions	1) 2001-2020; 2) two years of tax exemption and three years of reduction by half; 3) 2001-present.	..
	57[a]	Fund for development of international economic relations and trade	2014-present	2017: 11,976; 2018: 11,378
Oil & gas (1)	39	Urban land use of oil and gas production enterprises	2015-present	..
Mining (1)	37[a]	Filling mining and mining resources in exhaustion stage	2016-present	..
FDI (1)	38[a]	Import of equipment	1998-present	..

.. Not available.

a Programme eligibility tied to specific information that is not provided in the notification.

Source: WTO documents G/SCM/N/343/CHN, 19 July 2019; and G/SCM/N/343/CHN/Corr.1, 31 July 2019.

Table A3.3 Summary of IPR legislation, as at late-January 2021

Form	Main legislation	Coverage	Period of protection	Notification to the TRIPS Council
Copyrights and related rights	Copyright Law (last amended in 2020)	Works of literature, art and sciences, which are expressible in some form and created in writing; orally; musically, theatrically, *quyi*, choreographic and/or acrobatically; fine arts and architecture; photography; audio-visual works and works created by a process analogous to cinematography; graphic works such as drawings of engineering designs and product designs, maps and sketches, and model works; computer software; and other intellectual creations with the characteristics of works.	For natural persons, works are protected for life plus 50 years. For legal persons, cinematographic and photographic works are protected for 50 years. Software copyright exists from the date on which its development is completed. For legal persons, audio-visual and photographic works are protected for 50 years, and typographical designs are protected for 10 years.	IP/N/1/CHN/C/1, 8 July 2002
Trademarks	Trademark Law (last amended in 2019)	Applications to register as a trademark any word, device, letter of the alphabet, number, three-dimensional symbol, colour combination, sound or any combination thereof that identifies and distinguishes the goods of a natural person, legal person or other organization from those of others. The Law has been amended four times since 1982. The latest amendment aims to strengthen trademark protection, promote a fair business environment, effectively curb bad-faith trademark registrations, and increase compensation for infringement of trademark rights.	10 years from the day the registration is granted, renewable indefinitely.	IP/N/1/CHN/T/5, 30 January 2020
Patents	Patent Law (last amended in 2008)	Inventions and utility models for which patent rights are to be granted shall be ones which are novel, creative and of practical use.	20 years from the date of filing the application. The term of protection for utility models is 10 years, and the term for designs is 15 years, from the date of application.	IP/N/1/CHN/P/2, 21 December 2010
Layout-designs of integrated circuits	Regulations on the Protection of Layout-Designs of Integrated Circuits (promulgated in 2001)	Any layout-design which is original in the sense that the layout-design is the result of the creator's own intellectual effort and is not commonplace among creators of layout-designs and manufacturers of integrated circuits at the time of its creation.	10 years from the date of filing an application for registration of the layout-design or from the date on which it was first commercially exploited anywhere in the world, whichever expires earlier. No matter whether it has been registered or commercially exploited, a layout-design shall no longer be protected 15 years after the date of the completion of its creation.	..
New plant varieties	Regulations on the Protection of New Varieties of Plants (last amended in 2014)	Artificially cultivated plant varieties, or ones developed from discovered wild plants, which possess novelty, distinctness, uniformity and stability, and which are duly named.	20 years from the date of authorization in the case of vines, forest trees, and ornamental trees, and 15 years for other plants.	..
Anti-Unfair Competition	Anti-Unfair Competition Law of the People's Republic of China (last amended in 2019)	Protection of trade secrets. Improves the definition and expands the scope of infringement, enhances legal liability for infringing trade secret and transfers the burden of proof in civil trial procedures that infringe trade secrets.		IP/N/1/CHN/10, IP/N/1/CHN/U/1, 30 January 2020

Form	Main legislation	Coverage	Period of protection	Notification to the TRIPS Council
Criminal Law	Criminal Law (last amendment in 2020)	Criminal penalties for IPR infringements, raising the maximum prison term for trademark and copyright infringements from 7 to 10 years, adding the protection of service marks, supplementing the types of criminal acts that infringe on trade secrets, and adding "industrial espionage crime". In December 2020, the NPC Standing Committee passed the Criminal Law Amendment (XI), which increased the criminal penalties for infringement of IPRs. It increased the maximum sentence for infringement of trademark rights, copyrights, and trade secrets from 7 to 10 years, and increased the minimum penalty from control or criminal detention to fixed-term imprisonment. In addition, the Amendment enhanced the protection of service trademarks, added the types of criminal acts that infringed on trade secrets including the crime of commercial espionage, and added the types of acts of copyright infringement including the crime of infringement of performer's rights.		..

.. Not available.

Source: Information provided by the authorities; and notifications to the TRIPS Council.[1]

[1] Notifications to the TRIPS Council: WTO documents IP/N/1/CHN/P/2, 21 December 2010; IP/N/1/CHN/P/3, 26 August 2011; IP/N/1/CHN/C/1 (2001 Version), 8 July 2002; IP/N/1/CHN/L/1/Rev.1, 13 October 2003; IP/N/1/CHN/9 (2013 Amendment), 19 October 2017; and IP/N/1/CHN/T/5 (2019 Amendment), 30 January 2020. Viewed at: https://e-trips.wto.org/.

Table A3.4 Membership in International IPR Conventions, as at January 2021

International organization	International instrument	Status	Date of accession (or signature, ratification)
WIPO	Beijing Treaty	In force	28 April 2020
	WIPO Copyright Treaty	In force	9 June 2007
	WIPO Performances and Phonograms Treaty (WPPT)	In force	9 June 2007
	Strasbourg Agreement	In force	19 June 1997
	Locarno Agreement	In force	19 September 1996
	Madrid Protocol	In force	1 December 1995
	Budapest Treaty	In force	1 July 1995
	Nice Agreement	In force	9 August 1994
	Patent Cooperation Treaty (PCT)	In force	1 January 1994
	Phonograms Convention	In force	30 April 1993
	Berne Convention	In force	15 October 1992
	Madrid Agreement (Marks)	In force	4 October 1989
	Paris Convention	In force	19 March 1985
	WIPO Convention	In force	3 June 1980
	Marrakesh VIP Treaty	Signed	(signed 28 June 2013)
	Singapore Treaty	Signed	(signed 29 January 2007)
	Trademark Law Treaty (TLT)	Signed	(signed 28 October 1994)
	Washington Treaty	Signed	(signed 1 May 1990)
UPOV	UPOV Convention	In force	23 April 1999
UNESCO	Universal Copyright Convention	In force	30 October 1992

Source: WIPO IP Portal, *WIPO-Administered Treaties: Contracting Parties: China*. Viewed at: https://wipolex.wipo.int/en/treaties/ShowResults?country_id=38C.

Table A3.5 General regulatory framework of new plant varieties protection

Laws/regulations	Issuing authority	Latest amendment
Regulations on the Protection of New Varieties of Plants	State Council	29 July 2014
Implementing Rules for the Regulations of the Protection of New Varieties of Plants (Agriculture Part)	Ministry of Agriculture	25 April 2014
Implementing Rules for the Regulations of the Protection of New Varieties of Plants (Forestry Part)	Ministry of Forestry	25 January 2011
Administrative Execution Measures of the Protection of New Varieties of Forestry Plants	Ministry of Forestry	30 December 2015
Rules for the Review Board on New Plant Varieties	Ministry of Agriculture	13 February 2001
Interpretation of the Supreme People's Court concerning Some Issues on Disputes of Trial of Cases over New Plant Verities	Supreme People's Court	5 February 2001
Interpretation of the Supreme People's Court on Some Issues Concerning the Application of Law in the Trial of Cases Involving the Disputes over Infringement upon the Rights of New Plant Varieties	Supreme People's Court	12 January 2007
Seed Law	National People's Congress Standing Committee	4 November 2015
Provisions on Infringement Cases of New Plant Varieties in Agriculture	Ministry of Agriculture	12 December 2002

Source: Information provided by the authorities.

Table A4.1 Central Government support to fisheries as notified to the WTO

Title *Legal basis*	Objective	Subsidy and beneficiaries	Start date	Revenue forgone/ budgetary allocation in 2018 (CNY million)
Projects of agricultural, forestry, animal and fishery *Law of the People's Republic of China on Enterprise Income Tax (2007); Regulations for the Implementation of the Law of the People's Republic of China on Enterprise Income Tax (2007); MOF Circular Cai Shui No. 149, 2008; MOF Circular Cai Shui No. 26, 2011; MOF Circular Cai Shui No. 73, 2016*	Support the development of fishery preliminary processing, among others.	Enterprise income tax exemption/reduction from income derived by an enterprise from stipulated projects of preliminary processing related to farming, forestry, animal husbandry, and fisheries.	2008	No data on revenue forgone
Fishery stocks enhancement and fish fries releasing *MOF Circular Cai Nong No. 42, 2017*	Enhance natural fishery resources, increase fishermen's income, and improve fishery performance.	Funds are provided through local governments to fishermen, relevant scientific research institutions, and social groups involved in stocks enhancement and fish fries releasing.	2009	Budgetary allocation: 2018: estimated to be 398.5[a]
Public subsidy for the prevention of aquatic animal diseases *NDRC Circular Fa Gai Nong Jing No. 913, 2017*	Promote sustainable development of aquaculture industry, and support prevention and control of aquatic animal diseases.	Investment funds are provided to aquatic animal disease prevention, control and monitoring centres, and regional centres.	2017	Budgetary allocation: 2018: 60
Subsidy for scrapping and dismantling vessels and for ship type standardization; subsidy fund for fishery development and the scrapping, dismantling, and renovating of vessels *MOF Circular Cai Jian No. 977, 2015; MOF Circular Cai Jian No. 418, 2016*	Reduce intensity of marine fishing and promote the reduction in fishing vessels; rehabilitate ecological environment; improve fishing vessels safety; optimize and adjust the industrial structure; promote the sustainable development of distant water fishing; and phase out vessels with high-energy consumption, high emissions, and poor safety performances.	Provided to/for fishermen for reducing the number of fishing vessels and quitting marine fishing; scrapping, dismantling, and renovating fishing vessels, with an emphasis on certain vessels; construction of fishery equipment and facilities; conservation and utilization of international fishery resources; scrapping and renovation of seagoing transport vessels ahead of schedule; dismantling of inland vessels; and renovating and building new model vessels.	2015	Budgetary allocation: 2018: 7,927.15
Subsidy for improved aquatic breed *Fishery Law of the People's Republic of China, 2013*	Improve the quality of aquaculture species.	Provided to eligible aquatic breed improving farms.	2014	Budgetary allocation: 2018: 100
Subsidy for reform in tax and fee on refined oil (for fisheries) *MOF Circular Cai Jian No. 499, 2015; MOA Circular Nong Ban Yu No. 65, 2015*	Protect fisheries resources and facilitate fishery industrial restructuring; reduce fishing intensity; promote the sustainable development of fisheries; maintain the livelihood of fishermen; increase the incomes of fishermen; maintain the stability of fishing areas; and ensure the safety of the fishermen's lives and property.	Support takes the form of Central Government funds distributed through local governments to fishermen and enterprises involved in the reduction of the number of fishing vessels and no longer engaging in fishing, and whose fishing vessels are dismantled or transformed into artificial reefs. Some support is provided to fisheries resource conservation, and for a closed fishing season, fishery and fishery administration informatization construction, navigation sign-post construction in fishing ports, etc.	2015	No data provided

a This is one part of a bigger programme. Disaggregated figures for this single programme are not available; they have been estimated.

Source: WTO documents G/SCM/N/343/CHN, 19 July 2019; and G/SCM/N/343/CHN/Corr.1, 31 July 2019.

Table A4.2 Local government support to fisheries as notified to the WTO

Title *Legal basis*	Objective	Subsidy and beneficiaries	Start date	Budgetary allocation (CNY 10,000)
Hebei Province				
Subsidy for improving aquatic breeds *Ji Neng Ye Yu Fa No. 4, 2017*	Promote aquaculture industry upgrade and protect key aquaculture species resources.	Provided to eligible aquatic breeding production enterprises.	2017	2018: 500
Jiangsu Province				
Grant for fishermen during the Yangtze River fishing closed seasons (Nanjing City) *Ning Nong Cai No. 16, 2017*	Alleviate the hard-living conditions of fishermen during the fishing closed seasons, and secure smooth implementation of closed fishing for the Yangtze River.	Grant scheme. Provided to fishermen during the fishing closed seasons.	2017	No data provided
Grant for fishermen during the Yangtze River fishing closed seasons (Zhenjiang City) *Su Zheng Ban Fa No. 18, 2003*	Safeguard the livelihood of fishermen during the fishing closed seasons.	Grant scheme. Provided to fishermen on the Yangtze River.	2003	2018: 48.6
Grant for fishermen on the Yangtze River during the spring fishing closed season (Changzhou City) *Chang Xin Nong No. 16, 2017; Chang Xin Nong No. 73, 2018*	Provide grant for fishermen during the fishing closed period to ensure smooth implementation of the fishing closure.	Grant scheme. Provided to fishermen during the spring fishing closed seasons.	2017	2018: 45
Zhejiang Province				
Grant for policy-based fishery mutual insurance *Zhe Cai Nong No. 55, 2012*	Improve fishermen's capacity to withstand natural disasters, and ensure social stability in the fishing areas.	Grant scheme. Provided to eligible individuals/organizations engaged in fishing production/operation.	2005	2018: 6,550
Fund for marine and fishery comprehensive management and industry development *Zhe Cai Nong No. 47, 2015*	Promote healthy, sustainable development of marine fisheries and recovery of fishery resources. Promote eco-friendly and safe aquaculture models and improve marine management and public services.	Grant scheme. Provided for: (i) fisheries recovery, fishery stocks enhancement, and fishermen quitting marine fishing; (ii) eco-friendly renovation in the fishery industry and promotion of eco-friendly, circular, and safe aquaculture models; (iii) monitoring of marine environment and economics and development of the marine protected areas; (iv) development or standardized fishing ports; and (v) quarantine inspection of aquatic animals and safeguarding of the quality of aquatic products.	2015	2018: 49,506.5
Grant for supporting fishing boat standardization projects (Hangzhou City) *Cai Jian No. 499, 2015; Cai Jian No. 977, 2015; Zhe Cai Jian No. 14, 2016*	Control the intensity of fishing; eliminate old, wooden, polluting capture and aquaculture boats that are highly destructive to resources; and realize sustainable fisheries development goals, including well-ordered production, scientific utilization of resources, a good ecological environment, and continuous improvement of people's livelihoods.	Grant. Provided to fishing boat owners operating legally.	2017	2018: 392
Fund for policy-based fishery insurance (Ningbo City) *Yong Hai Ban No. 141, 2018*	Make fishermen better able to withstand natural disasters and risks, and maintain the stability of the fishing community.	Grant to contribute to insurance premiums. Provided to fishing vessels and owners of fishing vessels that engage in or provide services for fishery production and management in Ningbo.	2005	2018: 19

Title *Legal basis*	Objective	Subsidy and beneficiaries	Start date	Budgetary allocation (CNY 10,000)
Fujian Province				
Funds for marine economic development *Min Cai Nong No. 30, 2017*	Promote the healthy and sustainable development of the marine economy, and encourage innovation in marine technologies, such as marine biomedicine, marine aquaculture equipment, marine renewable energy, etc.	Grant and reward (among others). Provided to eligible enterprises.	2017	2018: 12,003.6
Fund for marine and fishery structural adjustment *Min Cai Nong No. 62, 2014*	Promote the safety of production, increase the quality of aquaculture, and promote the transformation of the development mode of fishery economy.	Grant. Provided to aquaculture enterprises, farms, cooperatives, and scientific research institutes.	2017	2018: 2,800
Fund for aquatic products processing (Fuzhou City) *Rong Hai Yu No. 407, 2017; Rong Hai Yu No 431, 2018*	Promote high-quality development of aquatic products processing industry.	Reward. Provided to eligible aquatic products processing enterprises.	2017	2018: 414
Fund for aquaculture (Fuzhou City) *Rong Hai Yu No. 406, 2017; Rong Hai Yu No. 432, 2018*	Encourage comprehensive farming of rice and fish, factory fish farming, etc.	Reward. Provided to eligible aquaculture enterprises.	2017	2018: 421.3
Fund for marine and fishery development (Xiamen City) *Xia Hai Yu No. 16, 2018*	Promote marine scientific and technological innovation, aquaculture breeding techniques, recreational fishery, and distant water fisheries.	Grant and reward. Provided to eligible enterprises that comply with domestic law and international fishery management rules.	2018	No data provided
Shandong Province				
Fund for distant water fishery development (Rizhao City) *Ri Zheng Zi No. 100, 2017*	Promote the healthy and sustainable development of distant water fisheries, and improve the stability, safety, resistance to pollution, and habitability of distant water fishing vessels.	Grant. Provided to eligible approved distant water fishing enterprises that comply with domestic law and international fishery management rules.	2017	No data provided
Fund for distant water fishery (Qingdao City) *Qing Zheng Zi No. 88, 2012*	Promote healthy and sustainable development of the fishery industry, and make fishing vessels more energy-saving and environmentally friendly.	Grant. Provided to eligible distant water fishery enterprises that comply with domestic law and international fishery management rules.	2013	No data provided
Guangdong Province				
Fund for developing the deep water cage aquaculture *Yue Hai Yu Han No. 6, 2015*	Optimize the fishery industry structure, and protect marine resources.	Grant. Provided to eligible aquaculture enterprises.	2015	No data provided
Production and living allowances for fishermen during closed seasons (Zhuhai City) *Zhu Hai Non Shui No. 192, 2017*	Protect fishery resources, promote sustainable development of the fishery industry, and address the livelihood problem of fishermen during closed fishing periods to maintain social stability in fishing areas.	Grant. Provided to fishermen subject to fishing closure practice.	2017	2018: 12.3
Fund for aquaculture (Zhongshan City) *Zhong Hai Yu No. 73, 2017* *Zhong Hai Yu No. 74, 2017*	Improve aquaculture breeding, enhance the quality management of aquaculture breeds. and realize sustainable development of the fishery industry.	Fund support. Granted to enterprises holding valid farming permits and breed production permits.	2013	2018: 108
Living allowances for fishermen during fishing closed seasons. (Zhongshan City) *Yue Hai Yu No. 25, 2018*	Protect fishery resources, promote sustainable development of the fishery industry, and address the livelihood problem of fishermen during closed fishing periods to maintain social stability in the fishing area.	Allowances. Provided to crew members of the fishing boats subject to the fishing closure.	2009	2018: 208.6
Guangzhou Province				
Fund supporting the policy-based aquaculture insurance *Hui Nong No. 179, 2017*	Build the risk resistance capacity of aquaculture, reduce the loss resulting from natural disasters, and promote sustainable development of the aquaculture industry.	Fund support. Provided to farmers and enterprises engaged in legal aquaculture activities and have participated in the insurance scheme.	2017	2018: 462

Title *Legal basis*	Objective	Subsidy and beneficiaries	Start date	Budgetary allocation (CNY 10,000)
Liaoning Province				
Subsidy for scrapping and dismantling vessels and for ship type standardization (Dalian City) *Cai Jian No. 977, 2015*	Reduce the intensity of marine fishing, and increase grant on top of Central Government funds to fishermen quitting marine capture.	Grant. Provided to fishermen or enterprises that volunteer to quit marine capture and/or scrap dismantle, and dispose of their ships with no harm done.	2017	No data provided
Fund for marine and fishery development (Dalian City) *Da Cai Nong No. 431, 2017*	Protect the marine environment, and promote healthy and sustainable development of the fishery industry.	Grant. Provided for aquatic product safety detection, marine environment monitoring and forecasting, fishery safety management, stock enhancement, fisherman personal accident insurance, and purchase of standard aquaculture fishing vessels.	2017	No data provided

Source: WTO documents G/SCM/N/343/CHN, 19 July 2019; and G/SCM/N/343/CHN/Corr.1, 31 July 2019.

Table A4.3 Tariff lines and rates as per the Resource Tax Law

Tariff lines			Tariff objects	Tariff rates
Energy minerals	Crude oil		Raw ore	6%
	Natural gas, shale gas, natural gas hydrate		Raw ore	6%
	Coal		Raw ore or mineral dressing	2%-10%
	Coal-derived (bed) gas		Raw ore	1%-2%
	Uranium, thorium		Raw ore	4%
	Oil shale, oil sand, natural asphalt, stone coal		Raw ore or mineral dressing	1%-4%
	Terrestrial heat		Raw ore	1%-20% or CNY 1-30 per cubic metre
Metallic minerals	Ferrous metals	Iron, manganese, chromium, vanadium, titanium	Raw ore or mineral dressing	1%-9%
	Non-ferrous metals	Copper, lead, zinc, tin, nickel, antimony, magnesium, cobalt, bismuth, mercury	Raw ore or mineral dressing	2%-10%
		Bauxite	Raw ore or mineral dressing	2%-9%
		Tungsten	Mineral dressing	6.5%
		Molybdenum	Mineral dressing	8%
		Gold, silver	Raw ore or mineral dressing	2%-6%
		Platinum, palladium, ruthenium, osmium, iridium, rhodium	Raw ore or mineral dressing	5%-10%
		Light rare earths	Mineral dressing	7%-12%
		Medium and heavy rare earths	Mineral dressing	20%
		Beryllium, lithium, zirconium, strontium, rubidium, caesium, niobium, tantalum, germanium, gallium, indium, thallium, hafnium, rhenium, cadmium, selenium, tellurium	Raw ore or mineral dressing	2%-10%
Non-metallic minerals	Minerals	Kaolin	Raw ore or mineral dressing	1%-6%
		Limestone	Raw ore or mineral dressing	1%-6% or CNY 1-CNY 10 per tonne (or per cubic metre)
		Phosphorus	Raw ore or mineral dressing	3%-8%
		Graphite	Raw ore or mineral dressing	3%-12%
		Fluorite, pyrite, natural sulphur	Raw ore or mineral dressing	1%-8%
		Natural quartz sand, vein quartz, powder quartz, crystal, industrial diamond, Iceland stone, kyanite, sillimanite (sillimanite), feldspar, talc, corundum, magnesite, pigment minerals, trona, Glauber's salt, sodium saltpetre, alunite, arsenic, boron, iodine, bromine, bentonite, diatomaceous earth, ceramic clay, refractory clay, bauxite, attapulgite clay, sepiolite clay, illite clay, rectorite clay	Raw ore or mineral dressing	1%-12%
		Pyrophyllite, wollastonite, diopside, perlite, mica, zeolite, barite, toxoid, calcite, vermiculite, tremolite, industrial tourmaline, chalk, asbestos, blue asbestos, andalusite, garnet, gypsum	Raw ore or mineral dressing	2%-12%
		Other clays (casting clay, brick clay, ceramsite clay, cement batching clay, cement batching red clay, cement batching loess, cement batching mudstone, clay for insulation materials)	Raw ore or mineral dressing	1%-5% or CNY 0.1-CNY 5 per tonne (or per cubic metre)
	Stones	Marble, granite, dolomite, quartzite, sandstone, diabase, andesite, diorite, slate, basalt, gneiss, amphibolite, shale, pumice, tuff, obsidian, nepheline, feldspar, serpentinite, medical stone, marl, potassium-bearing rock, potassium-bearing sand shale, natural oilstone, peridotite, turpentine, trachyte, gabbro, pyroxenite, syenite, volcanic ash, volcanic slag, peat	Raw ore or mineral dressing	1%-10%

Tariff lines			Tariff objects	Tariff rates
		Gravel	Raw ore or mineral dressing	1%-5% or CNY 0.1-CNY 5 per tonne (or per cubic metre)
	Precious stones	Gem, jade, gem-grade diamond, agate, topaz, tourmaline	Raw ore or mineral dressing	4%-20%
Water and gas minerals	Carbon dioxide, hydrogen sulphide, helium, radon		Raw ore	2%-5%
	Mineral water		Raw ore	1%-20% or CNY 1-CNY 30 per cubic metre
Salts	Sodium salt, potassium salt, magnesium salt, lithium salt		Mineral dressing	3%-15%
	Natural brines		Raw ore	3%-15% or CNY 1-CNY 10 per tonne (or per cubic metre)
	Sea salt			2%-5%

Source: Information provided by the authorities.

Table A4.4 Tariff lines and tariff rate range before the implementation of the Resource Tax Law

No.	Tariff lines		Tariff object	Tariff rate range
1	Crude oil, natural gas		Raw ore	6%
2	Coal		Raw ore	2%-10%
3	Metallic ores	Iron ore	Mineral concentrate	1%-6%
4		Gold ore	Gold ingots	1%-4%
5		Cooper ore	Mineral concentrate	2%-8%
6		Bauxite	Raw ore	3%-9%
7		Lead-zinc ore	Mineral concentrate	2%-6%
8		Nickel ore	Mineral concentrate	2%-6%
9		Tin ore	Mineral concentrate	2%-6%
10		Tungsten ore	Mineral concentrate	6.5%
11		Molybdenum ore	Mineral concentrate	11%
12		Light rare earths	Mineral concentrate	11.5%, 9.5%, 7.5%. Applicable tariff rates are different among regions in China. For example, 11.5% in Inner Mongolia, 9.5% in Sichuan, and 7.5% in Shandong.
13		Medium and heavy rare earths	Mineral concentrate	27%
14		Other metallic ore products not elsewhere classified	Raw ore or mineral concentrate	No more than 20%
15	Non-metallic ores	Graphite	Mineral concentrate	3%-10%
16		Diatomite	Mineral concentrate	1%-6%
17		Kaolin	Raw ore	1%-6%
18		Fluorite	Mineral concentrate	1%-6%
19		Limestone	Raw ore	1%-6%
20		Pyrite ore	Mineral concentrate	1%-6%
21		Phosphate ore	Raw ore	3%-8%
22		Potassium chloride	Mineral concentrate	3%-8%
23		Potassium sulphate	Mineral concentrate	6%-12%
24		Well salt	Sodium chloride primary products	1%-6%
25		Lake salt	Sodium chloride primary products	1%-6%
26		Salt extracted from underground brines	Sodium chloride primary products	3%-15%
27		Coal seam (formed) gas	Raw ore	1%-2%
28		Clay, gravel	Raw ore	CNY 0.1-5 per tonne or cubic metre
29		Other non-metallic ore products not elsewhere classified	Raw ore or mineral concentrate	No more than CNY 30 per tonne or cubic metre for specific tariff rate; no more than 20% for *ad valorem* tariff rate
30	Sea salt		Sodium chloride primary products	1%-5%

Source: Information provided by the authorities.